MCI Capital S.A.

Financial Statements
for the financial year ended 31 December 2017

For the shareholders of MCI Capital S.A.

In accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws of 2014, No 133), the Management Board of the entity is obliged to procure preparation of the financial statements in accordance with governing accounting principles, which presents the true, fair and clear view of the financial and material situation of MCI Capital S.A. for the financial year ending on 31 December 2017 and its financial result for the financial year ending on that day.

These financial statements were approved for publication and signed by the Management Board of the Company.

Name	Position/Function	Signature
Tomasz Czechowicz	President of the Management Board	
Ewa Ogryczak	Vice-President of the Management Board	
Krzysztof Stupnicki	Vice-President of the Management Board	
Tomasz Masiarz	Board Member	

Keeping the Books of Account:
Mazars Polska Sp. z o.o.
00-549 Warszawa, ul. Piękna 18

Warsaw, 27 April 2018

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SELECTED FINANCIAL DATA

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2017 to 31.12.2017 EUR'000	For the period: from 01.01.2016 to 31.12.2016 EUR'000
Investment profit	123 517	(74 948)	29 099	(17 128)
Profit on operating activities	118 971	(80 146)	28 028	(18 316)
Profit before taxation	107 623	(85 313)	25 355	(19 497)
Net profit	104 686	(82 243)	24 663	(18 795)
Net cash from operating activities	16 408	72 404	3 866	16 547
Net cash from investment activities	28 711	(59 286)	6 764	(13 549)
Net cash from financial activities	(101 151)	7 818	(23 830)	1 787
Net increase/(decrease) of cash and cash equivalents	(56 032)	20 936	(13 200)	4 785

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2017 EUR'000	Balance as at 31.12.2016 EUR'000
Total assets	1 361 499	1 340 871	326 428	303 090
Non-current liabilities	134 039	221 422	32 137	50 050
Current liabilities	137 392	76 784	32 941	17 356
Equity	1 090 067	1 042 665	261 351	235 684
Share capital	52 887	58 752	12 680	13 280
No of shares (in items)	52 886 596	58 752 198	52 886 596	58 752 198
Weighted average no of shares (in items)	55 652 879	61 527 334	55 652 879	61 527 334
Profit (loss) per one weighted average ordinary share (in PLN / EUR)	1,88	(1,34)	0,44	(0,31)
Book value per one share (in PLN / EUR)	20,61	17,75	4,94	4,01

The above selected financial data are in addition to the financial statements prepared in accordance with the EU IFRS and have been converted into EUR according to the following principles:

– individual assets and liabilities as at the balance sheet date - according to the average exchange rate prevailing as at the balance sheet date, announced by the National Bank of Poland; respectively as at 31 December 2017 – 4,1709, and as at 31 December 2016 – 4,4240;
– individual items in the statement of profit and loss and other comprehensive income and the statement of cash flows for the period from 1 January to 31 December of the given year - at the average rate, calculated as the arithmetic average of exchange rates published by National Bank of Poland on the last day of the month during the period; respectively for the period from 1 January to 31 December 2017 – 4,2447 and from 1 January to 31 December 2016 – 4,3757.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2017

	NOTES	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Revaluation of shares	1a	117 144	(76 395)
Profit on investment certificates	1b	8 283	(10 959)
Revaluation of derivative financial instruments	1c	(1 910)	326
Other income on investments	2	-	12 080
Investment profit (loss)		**123 517**	**(74 948)**
Operating expenses	3	(4 044)	(5 351)
Other operating income		221	153
Other operating expenses		(723)	-
Profit (loss) on operating activities		**118 971**	**(80 146)**
Revenues from dividends received	4	1 027	5 053
Financial income	5	5 552	5 196
Financial expenses	5	(17 926)	(15 416)
Profit (loss) before taxation		**107 623**	**(85 313)**
Income tax	6	(2 938)	3 071
Net profit (loss)		**104 686**	**(82 243)**
Other net comprehensive income		-	-
Other comprehensive income		**104 686**	**(82 243)**
Earnings (loss) per share			
Basic	7	1,88	(1,34)
Diluted	7	1,81	(1,23)

The statement on profit or loss and other comprehensive income should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 9 to 48.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	NOTY	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
ASSETS			
Non-current assets			
Tangible fixed assets		545	784
Investment certificates	8	80 999	113 945
Investments in subsidiaries	9	1 207 174	1 083 838
Investments in associates	10	15 078	21 389
Investments in other entities		7	7
Loans granted	11	-	205
Trade and other receivables	12	412	437
Deferred income tax assets	5	7 134	8 000
Derivatives	1	200	2 110
		1 311 549	**1 230 715**
Current assets			
Trade and other receivables	12	24 720	1 960
Receivables from bills of exchange	13	-	26 063
Loans granted	11	-	871
Cash and cash equivalents	14	25 230	81 262
		49 950	**110 156**
Total assets		**1 361 499**	**1 340 871**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	52 887	58 752
Reserve capital	15	886 687	1 020 712
Other reserve capital		44 137	43 773
Retained earnings		1 671	1 671
Net profit (loss)		104 686	(82 243)
		1 090 067	**1 042 665**
Non-current liabilities			
Received loans		-	107
Liabilities on bonds	17	133 001	221 315
Trade and other liabilities		1 038	-
		134 039	**221 422**
Current liabilities			
Trade and other liabilities	18	2 811	4 108
Liabilities on bonds	17	122 729	44 747
Bills of exchange	19	-	16 031
Received loans		-	41
Provisions	20	11 853	11 857
		137 392	**76 784**
Total Equity and Liabilities		**1 361 499**	**1 340 871**

The statement of financial position should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 9 to 48.

STATEMENT OF CHANGES IN EQUITY
for the period from 1 January to 31 December 2017

PLN'000	Share capital	Reserve capital				Other reserve capital		Retained earnings	Net profit (loss)	Own shares	Total equity
		Issue of shares as part of conversion of convertible bonds	Issue of shares – implementation of the management options programme	Issue of shares above their nominal value	Distribution of profit	Management incentive programme and other share-based payments	Valuation of the bond capital element				
As at 01.01.2016	**61 780**	**28 175**	**2 792**	**106 440**	**788 802**	**38 249**	**5 395**	**1 671**	**121 463**	**(150)**	**1 154 617**
Transfer of profit (loss)	-	-	-	-	121 463	-	-	-	(121 463)	-	-
Purchase of own shares (**Nota 15**)	(3 028)	-	-	-	(26 960)	-	-	-	-	-	(29 988)
Share based payments (**Nota 23**)	-	-	-	-	-	207	-	-	-	150	357
Settlement of option programmes	-	-	-	-	-	(78)	-	-	-	-	(78)
Profit (loss) for the period	-	-	-	-	-	-	-	-	(82 243)	-	(82 243)
As at 31.12.2016	**58 752**	**28 175**	**2 792**	**106 440**	**883 305**	**38 378**	**5 395**	**1 671**	**(82 243)**	**-**	**1 042 665**
As at 01.01.2017	**58 752**	**28 175**	**2 792**	**106 440**	**883 305**	**38 378**	**5 395**	**1 671**	**(82 243)**	**-**	**1 042 665**
Transfer of profit (loss)	-	-	-	-	(82 243)	-	-	-	82 243	-	-
Purchase/redemption of own shares (**Nota 15**)	(5 899)	-	-	-	(51 783)	-	-	-	-	-	(57 682)
Share based payments (**Nota 23**)	34	-	-	-	-	364	-	-	-	-	398
Profit (loss) for the period	-	-	-	-	-	-	-	-	104 686	-	104 686
As at 31.12.2017	**52 887**	**28 175**	**2 792**	**106 440**	**749 279**	**38 742**	**5 395**	**1 671**	**104 686**	**-**	**1 090 067**

The statement of changes in equity should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 9 to 48.

STATEMENT OF CASH FLOWS
for the period from 1 January to 31 December 2017

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Cash flows from operating activities		
Net profit for the reporting period	**104 686**	**(82 243)**
Adjustments:		
Depreciation of tangible fixed assets	186	347
Revaluation of shares, certificates and derivatives	(123 396)	87 027
Share-based incentive programmes	364	357
Change in investment certificates*	41 229	60 542
Costs of issue of bonds - paid	(220)	(1 147)
Deposits paid	-	(421)
Finance income and expenses	17 430	9 816
Flat-rate income tax collected	(1 594)	(118)
Other adjustments	(144)	(137)
Change in provisions	(4)	107
Change in trade and other receivables	(22 735)	(839)
Change in trade and other payables	(259)	3 509
Change in deferred tax assets and liabilities	866	(4 397)
Net cash from operating activities	**16 408**	**72 404**
Cash flows from investment activities		
Dividends received	1 027	5 053
Proceeds from sale and repayment of bills of exchange	45 955	14 119
Proceeds from disposal of fixed assets	106	1 381
Proceeds from granted loans	557	-
Proceeds from acquisition of subsidiaries	122	-
Outflows for granted loans	-	(200)
Outflows for the purchase of bills of exchange	(19 000)	(35 000)
Outflows for the purchase of shares of subsidiaries	(3)	(43 975)
Outflows for the purchase of fixed assets	(53)	(664)
Net cash from investment activities	**28 711**	**(59 286)**
Cash flows from financial activities		
Outflows for the purchase of own shares	(57 682)	(29 947)
Options programme	33	-
Issue of bills of exchange	-	16 000
Issue of bonds	20 000	120 150
Repayment of bills of exchange with interests	(16 190)	-
Repayment of loans with interests	(148)	(42)
Repayment of bonds	(31 000)	(84 800)
Interests paid on bonds	(16 164)	(13 543)
Net cash from financial activities	**(101 151)**	**7 818**
Net increase/(decrease) of cash and cash equivalents	**(56 032)**	**20 936**
Opening balance of cash and cash equivalents	81 262	60 326
Closing balance of cash and cash equivalents	**25 230**	**81 262**

*Change in comparative data concerns the presentation of inflows from sale of investment certificates and outflows for purchase of investment certificates.

The statement of cash flows should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 9 to 48.

SELECTED EXPLANATORY INFORMATION

General information

With a decision of the District Court for the city of Wrocław-Fabryczna of 21 July 1999, MCI Capital S.A. (hereinafter referred to as the "Company", "Issuer" or "MCI") was entered into the Commercial Register under RHB No 8752. With a decision of the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register of 28 March 2001, the Company was entered into the National Court Register under No 0000004542. The Company was assigned:

- Statistical Number REGON: 932038308,
- NIP (tax ID): 899-22-96-521,
- The registered office of the Company is located at Pl. Europejski 1 in Warsaw,
- The life of the Company is unlimited.

MCI carries on direct investment activities of the private equity / venture capital type and invests its assets through 5 investment funds of diversified investment strategy. The funds invest entrusted funds in investment assets in accordance with their investment strategy. From large buyout and growth investment (MCI.EuroVentures 1.0 FIZ and MCI.TechVentures 1.0 FIZ) to investments in start-ups and small technology companies (Helix Ventures FIZ and Internet Ventures FIZ) to debt instruments and property (MCI.CreditVentures 2.0 FIZ). Investments in portfolio companies are made in the horizon of several years, during which management actively supports development of companies and supervises execution of business strategy by them, and then looks for opportunities to sell. The most important assets are shares in companies and other financial instruments, such as: bonds, investment certificates, bills of exchange, loans and deposits.

Basis for the preparation of the Financial Statements

These financial statements were prepared in accordance with the International Financial Reporting Standards as approved by the European Union (IFRS). The IFRS include standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") and incorporated into European Union law ("EU") in the form of implementing regulations of the European Commission.

Information concerning the preparation of the consolidated financial statements

In accordance with the criteria of paragraph 27 of IFRS 10, an entity meets the definition of an investment entity if it:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis, thus it can be classified as an investment entity.

The main goal of MCI in purchasing the investment certificates for funds was to earn benefits by investing in financial assets and earning profit from an increase in the value of net assets of the funds. The company invests funds in order to obtain returns from the increase in the value of investments (investment certificates). The sole activity of the Company is to invest funds to five closed-end investment funds and thus obtain a return on the invested capital. The company, as a public company, has many investors for whom the most important issue is the return on the invested capital over the long term. The Management Board analyses and evaluates the performance of the Company's activities through the prism of the increase in the fair value of assets being held, which are portfolio investments of closed-end investment funds, through which the Company conducts its investments. The fair value is the best reflection of the value of assets held by the Company.

The Company meets the criteria for classification as an investment entity as defined in paragraph 27 of IFRS 10 *Consolidated Financial Statements* ("IFRS 10"). The Company does not prepare consolidated financial statements because it does not have subsidiaries which provide services related to investment activities of the Company.

These financial statements of MCI Capital S.A. are the only financial statements prepared by MCI Capital S.A.

Date of approval of the financial statements for the current financial year

The financial statements were approved by the Management Board of the Company on 27 April 2018

Date of approval of the financial statements for the previous financial year

The financial statements were approved by the Management Board of the Company on 21 March 2017.

Functional currency and presentation currency

The items included in the financial statements relating to the Company are measured and presented using the primary currency of the economic environment in which the Company operates ("the functional currency"), which is the Polish zloty. The data in the financial statements are presented in thousands of Polish zloty, unless stated otherwise.

Judgements and estimates

The preparation of the financial statements requires the Management Board of the Company to make judgements, estimates and assumptions that affect the adopted accounting policies and presented amounts reported in the financial statements. Actual values may differ from those estimates.

All judgements, assumptions and estimates which have been made for the purposes of these financial statements are presented in the required disclosures relating to individual items of these financial statements, in the supplementary notes to the financial statements, which form an integral part thereof. Estimates and judgements are subject to ongoing verification. They are based on historical experience, including expectations of future events that are reasonable in a given situation and new information.

Below are the key assumptions concerning the future and other basic reasons for uncertainty of estimates as at the balance sheet date.

Fair value of financial instruments

The model and assumptions adopted for the fair value measurement. Significant risks relate to the fair value of shares in subsidiaries, which are strongly influenced by accepted models of measurement. Main assumptions and judgements are presented in **Note 9, *"Investments in subsidiaries"***.

Share-based payments

Determination of the value of individual programmes of share-based payments is based on estimates of the Company adopted for the fair value measurement of equity instruments granted, including: the actual strike price of shares of MCI Capital S.A. on the grant date, the estimate of historical volatility, risk-free interest rate, the expected dividend yield, the period in which the holder may exercise rights under the programme and accepted model of measurement. More information is included in **Note 22 *"Employee Benefits"***.

Accounting Policy

The accounting principles used in these financial statements are the same as those applied by the Company for the financial statements as at the date and for the year ended on 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the period from 1 January to 31 December 2017

1. Investment profit

The item of gains and losses arising from changes in the fair value includes revaluation of financial assets:
- shares and interests in subsidiaries, associates and other entities,
- investment certificates of closed-end investment funds ("FIZ") which belong to MCI,
- derivative instruments,
- other income on investments.

1a. Revaluation of shares and realised profit on sale of shares

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Revaluation of subsidiaries		
MCI Fund Management Sp. z o.o.*	95 765	(54 765)
MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A.	21 082	(3 128)
MCI Fund Management Sp. z o.o. IV MCI.PrivateVentures S.K.A.	6 487	1 835
	123 334	**(56 058)**
Revaluation of associates		
Private Equity Managers S.A.	(6 312)	(20 337)
	(6 312)	**(20 337)**
Realised profit on sale of shares of other entities		
Digital Avenue S.A.	122	-
	122	**-**
Revaluation of shares, total	**117 144**	**(76 395)**

*The value of assets of MCI Fund Management Sp. z o.o. in 97% consists of value of investment certificates of MCI.TechVentures 1.0. and MCI.EuroVentures 1.0. subfunds, separated from MCI.PrivateVentures FIZ. This implicates that indirectly update of the value of MCI Fund Management Sp. z o.o. is a result of revaluation of the investment certificates of the abovementioned subfunds, to the amount of PLN 124.169 thousand (profit), of which PLN 117.928 thousand is unrealised profit on revaluation of investment certificates and PLN 6.241 thousand is realised profit.

Subsidiaries do not provide investment management services or any other services related to MCI's investment activities.

In 2017 MCI Capital S.A. disposed of Digital Avenue S.A., on which realised profit amounted to PLN 122 thousand.

Information on the measurement of subsidiaries and associates is presented in **Note 9 *"Investments in subsidiaries"*** and in **Note 10 *"Investments in associates*"**.

1b. Profit on investment certificates

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Investment certificates of Helix Ventures Partners FIZ*	(295)	(6 509)
Investment certificates of Internet Ventures FIZ**	3 243	(5 842)
Investment certificates of MCI.CreditVentures FIZ 2.0***	3 138	1 959
Unrealised profit on revaluation of investment certificates	**6 086**	**(10 392)**

*The negative result from revaluation of investment certificates of Helix Ventures Partners FIZ in 2017 stems from negative result on operations of the fund in the amount of PLN 0,7 million, which comprises mainly loss on disposal of investments in the amount of PLN 1,4 million in 2017. The negative result on revaluation of investment certificates of Helix Ventures Partners in 2016 was mainly due to decrease in net assets value of the fund related to the profit distribution. In 2016 the fund paid out its revenues to a total of PLN 14,6 million to the participants, of which PLN 12,1 million was received by MCI (details are described in **Note 2 *"Other income on investments"***). Net assets value of the fund fell in 2016 by PLN 12,4 million.
**The positive result from revaluation of investment certificates of Internet Ventures FIZ in 2017 was caused mainly by changes in net asset value of the fund as a result of generating positive result on operations in the amount of PLN 6,9 million due to increase in revaluation of investments of the fund. The fund has generated higher result on operations in 2017 (increase by PLN 16,5 million in comparison to 2016), which was mainly caused by unrealised profit on revaluation of investments in the amount of PLN 9,5 million in 2017 in comparison to unrealised loss on revaluation of investments in the amount of PLN 8 million in 2016.
***The positive result from revaluation of investment certificates of MCI.CreditVentures FIZ in 2017 was caused mainly by change in net asset value of the fund as a result of generating positive result on operations in the amount of PLN 13,3 million and of net inflow to the fund in the amount of PLN 2,3 million. The fund generated higher result on operations in 2017 (increase by PLN 9 million in comparison to 2016), which was mainly due to increase in unrealised profit on revaluation of fund's investments and to net revenue from investments (interest income on financing granted by the fund).

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Investment certificates of Helix Ventures Partners FIZ	(26)	-
Investment certificates of Internet Ventures FIZ	58	(1 520)
Investment certificates of MCI.CreditVentures FIZ 2.0	2 165	953
Realised profit on redemption of investment certificates	**2 197**	**(567)**
Profit on investment certificates	**8 283**	**(10 959)**

Information on the measurement of the above items is presented in **Note 8 *"Investment certificates"***.

1c. Revaluation of derivative financial instruments

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Embedded derivative on investment certificates Internet Ventures FIZ	(1 110)	1 110
Embedded derivative on investment certificates Helix Ventures Partners FIZ	(800)	(784)
	(1 910)	**326**

1d. Carrying amount of derivative financial instruments

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Embedded derivative on investment certificates Internet Ventures FIZ	-	1 110
Embedded derivative on investment certificates Helix Ventures Partners FIZ	200	1 000
	200	**2 110**

The Company measures the embedded financial instrument, namely the mechanism of privileged distribution of funds invested in investments made by Internet Ventures FIZ and Helix Ventures Partners FIZ. The Company has a priority of return from invested funds in the event of the exit from the investments.

2. Other income on investments

In October 2016, MCI Capital S.A. as a MCI Helix Ventures Partners FIZ fund participant received PLN 12.080 thousand of income, as a result of accomplished investment in Mediasoft Sp. z o.o. (eBroker). Payment of income from the fund was made in accordance with the provisions of the fund's articles of association, in particular Art. 31 (1), and (2) and in line with Art. 29 and Art. 31 (3) of the fund's articles of association.

3. General administrative expenses

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	**For the period: from 01.01.2016 to 31.12.2016 PLN'000**
Depreciation of fixed assets and amortization of intangible assets	(186)	(347)
Consumption of materials and energy	(56)	(176)
Outsourced services*	(1 609)	(2 746)
Taxes and fees	(126)	(53)
Wages and salaries	(1 787)	(1 824)
Employee benefits	(58)	(75)
Social insurance	(45)	(34)
Other costs	(177)	(96)
	(4 044)	**(5 351)**

*Decrease in outsourced services is mainly due to lower legal costs by PLN 1 million. High level of legal costs in 2016 resulted from incurring costs related to JTT trial (details: **note 26 *"Contingent assets and liabilities"***).

4. Revenues from dividends received

In 2017, the Company received a dividend from Private Equity Managers S.A. from the profit generated in 2016 in the total amount of PLN 1.027.378,13. The Company possessed 350.641 shares entitled to the dividend. The dividend date was fixed on 16 November 2017 in the amount of PLN 2,93 per 1 share.

In 2016, the Company received a dividend from Private Equity Managers S.A. from the profit generated for 2015 in the total amount of PLN 5.052.736,81. The Company possessed 350.641 shares entitled to the dividend. The dividend date was fixed on 29 June 2016. The payments were made in two instalments: the first instalment payable on 15 July 2016 in the amount of PLN 8,00 for 1 share (PLN 2.805.128,00 in total) and the second instalment payable on 30 September 2016 in the amount of PLN 6,41 per 1 share (PLN 2.247.608,81 in total).

5. Financial income and expenses

Financial income

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	**For the period: from 01.01.2016 to 31.12.2016 PLN'000**
Interests on short-term bank deposits	76	200
Fee and commission income - guarantees*	4 108	4 175
Income on revaluation or realisation of participation units	420	-
Interest income on purchased bills of exchange	890	478
Interest income on loans	58	66
Foreign currency exchange gains or losses	-	3
Other financial income	-	274
	5 552	**5 196**

*MCI Capital S.A. provides services related to investments which consist in financial support to the entity in which an investment in the form of suretyship and guarantee was made to maximise returns from investing in investments, this activity does not constitute a separate significant activity or a separate major source of revenue for the investment entity.

Financial expenses

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Interests costs on:		
Issued bills of exchange	(157)	(31)
Bank loans	(2)	(5)
Loans received	-	(2)
Issued bonds	(17 052)	(14 611)
Budgetary interest or other interest	(1)	-
Gains and losses on foreign exchange rate differences (net)	(26)	(1)
Other*	(689)	(766)
	(17 926)	**(15 416)**

*This item includes the remuneration for the subsidiary of MCI Capital S.A., i.e. MCI Fund Management Sp. z o.o. for making available the investment certificates of MCI.TechVentures 1.0 and MCI.EuroVentures 1.0 subfunds, which are collateral for bonds issued by MCI Capital S.A.

6. Income tax

Income tax recognized in the statement of comprehensive income

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Income tax - current part	(2 072)	(1 326)
Income tax - deferred part	(866)	4 397
	(2 938)	**3 071**

Reconciliation of income tax

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Profit before taxation	107 623	(85 313)
Income tax recognized in the financial result	2 938	(3 071)
Effective tax rate	2,7%	3,6%
Non-taxable income (-)	**(138 680)**	**(19 121)**
revaluation of shares	(123 334)	(1 835)
revaluation of investment certificates	(8 928)	(7 606)
dividends received	(1 027)	(5 053)
revenue on guarantees	(4 108)	(4 175)
revaluation of bills of exchange	(408)	(368)
other	(874)	(84)
Taxable income not recognised in the income statement (+)	**5 408**	**4 155**
invoiced sureties	4 129	3 819
revenues from sharing logo	1 212	-
received interest from loans and bills of exchange	67	336

Non-taxable costs recognised in the income statement (+)	**17 757**	**111 006**
revaluation of shares	6 311	78 230
revaluation of investment certificates	4 154	25 192
accrued interest on bonds	2 389	2 869
revaluation of derivative financial instruments	1 910	2 936
allowances	719	-
provisions	642	658
share-based incentive programme and options programmes	521	357
revaluation of bills of exchange	571	31
other	540	733
Tax costs not recognised in the income statement (-)	**(2 587)**	**(3 014)**
interest on bonds - paid	(1 501)	(1 800)
costs of issue of bonds	(464)	(675)
dissolution of provisions	(562)	(198)
other	(60)	(341)
	(118 102)	**93 027**
Loss for the period 01.01.2016-30.06.2016	-	(2 890)
Taxable amount MCI Capital S.A. (for the period 01.07.2016-31.12.2016)	-	10 604
Taxable amount MCI Fund Management Sp. z o.o. (for the period 01.07.2016-31.12.2016)	-	(3 622)
Taxable amount MCI Capital S.A. (for the period 01.01.2017-31.12.2017)	(10 478)	-
Taxable amount MCI Fund Management Sp. z o.o. (for the period 01.01.2017-31.12.2017)	21 382	-
Taxable amount MCI Tax Group	10 904	6 982
Current income tax	**2 072**	**1 326**

MCI Capital S.A. is a parent company in the Tax Group together with MCI Fund Management Spółka z o.o. created in 2016. Fiscal year of the Tax Group lasts from 1 July until 30 June. Agreement has been concluded for the 3-years period. As of the day of preparation of these financial statements, the Company is during the second year of functioning of the Tax Group.

During the lifetime of the Tax Group, companies comprising the Tax Group are obliged to maintain each year tax profitability ratio of at least 3% (share of profit in revenues). Otherwise, the Tax Group will be dissolved. At the same time, companies may not benefit from any other tax exemption under other legal acts.

Loss generated by companies before entering the Tax Group are not subject to expiration. For this reason, MCI will be entitled to settle tax losses for the next five consecutive fiscal years, with the Tas Group period not being taken into account when calculating successive tax years.

As a result, the Company recognised deferred tax assets for tax losses incurred prior to the Tax Group due to the fact that they will be settled later (deferred tax assets to be realised after 12 months). At the same time, the Company confirms that it is able to generate tax revenue in the future allowing it to settle its tax losses.

Tax losses

Incurred in year	Incurred at 000'PLN	Utilised at 000'PLN	To be utilised at 000'PLN	To be utilised until year
2012	2 358	-	2 358	year after leaving Tax Group
2013	9 590	-	9 590	2 years after leaving Tax Group
2014	3 528	-	3 528	3 years after leaving Tax Group
2015	9 128	-	9 128	4 years after leaving Tax Group
1H2016*	2 890	-	2 890	5 years after leaving Tax Group
	27 494	**-**	**27 494**	

*Before establishment of the Tax Group on 1 July 2017

Deferred tax

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Deferred tax assets:		
Due for settlement after 12 months	5 224	5 672
Due for settlement within 12 months	3 639	4 508
	8 863	**10 180**
Deferred tax liabilities:		
Due for settlement after 12 months	-	-
Due for settlement within 12 months	1 729	2 180
	1 729	**2 180**

In the statement of financial position, the Company compensates deferred tax assets and liabilities by disclosing them under one item.

Deferred tax assets

	Tax losses which can be deducted 000' PLN	Temporary difference* 000' PLN	Total 000'PLN
As at 31 December 2015	**5 123**	**2 534**	**7 657**
Impact on profit or loss	549	1 974	2 523
Impact on equity	-	-	-
As at 31 December 2016	**5 672**	**4 508**	**10 180**
Impact on profit or loss	(448)	(869)	(1 317)
Impact on equity	-	-	-
As at 31 December 2017	**5 224**	**3 639**	**8 863**

*The item pertains mainly to the provision for legal costs related to litigations.

Deferred tax liabilities

	Revaluation of portfolio companies 000' PLN	Interests 000' PLN	Other temporary differences* 000' PLN	Total 000' PLN
As at 31 December 2015	**1**	**146**	**3 907**	**4 054**
Impact on profit or loss	-	(22)	(1 852)	(1 874)
Impact on equity	-	-	-	-
As at 31 December 2016	**1**	**124**	**2 055**	**2 180**
Impact on profit or loss	-	(124)	(327)	(451)
Impact on equity	-	-	-	-
As at 31 December 2017	**1**	**-**	**1 728**	**1 729**

*The item relates mainly to revaluation of investment certificates

Deferred tax net assets

As at 31 December 2017	**7 134**
As at 31 December 2016	**8 000**

7. Earnings (loss) per share

Earnings (loss) per share

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Earnings (loss) attributable to shareholders of the Company	104 686	(82 243)
Weighted average no of ordinary shares (in 000s)	55 653	61 527
Basic earnings (loss) per share (in PLN per one share)	**1,88**	**(1,34)**

Diluted earnings (loss) per share

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Earnings (loss) attributable to shareholders of the Company	104 686	(82 243)
Earnings (loss) applied when determining diluted earnings per share	107 309	(80 836)
Cost of interest on bonds (PLN 000s)	3 238	1 736
Net cost of interest on bonds (PLN 000s)	2 623	1 406
Weighted average no of ordinary shares (in 000s)	55 653	61 527
Adjustments related to:		
remuneration program based on issuance of shares (000s)	33	33
bonds convertible into shares (000s) (Note 17)	3 534	4 167
Weighted average number of ordinary shares for purposes of diluted earnings per share (000s)	59 219	65 727
Diluted earnings (loss) per share (in PLN per one share)	**1,81**	**(1,23)**

8. Investment certificates

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Investment certificates of Helix Ventures Partners FIZ	3 666	4 787
Investment certificates of Internet Ventures FIZ	26 179	23 002
Investment certificates of MCI.CreditVentures FIZ 2.0	51 154	86 156
	80 999	**113 945**

Measurement of certificates investment

The measurement of investment certificates is carried out on a quarterly basis based on the fair value measurement of portfolio companies owned by these funds and other investments of these funds. Revaluation of certificates to their fair value from quarterly measurements is recognised in MCI's profit or loss at the end of each quarter.

The investment fair value showing the effect of increase and decrease of investment certificates value by 10 percentage points:

Investment certificates	**10%**	**-10%**
Investment certificates of Helix Ventures Partners FIZ	4 032	3 299
Investment certificates of Internet Ventures FIZ	28 797	23 561
Investment certificates of MCI.CreditVentures 2.0 FIZ	56 269	46 039
	89 098	**72 899**

9. Investments in subsidiaries

	Balance as at 31.12.2017 PLN'000	**Balance as at 31.12.2016 PLN'000**
MCI Fund Management Sp. z o. o.	1 207 171	149 805
MCI Fund Management Sp. z o. o. II MCI.PrivateVentures S.K.A.	-	738 453
MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A.	-	195 580
Energy Mobility Partners Sp. z o.o.	3	-
	1 207 174	**1 083 838**

On 29 December 2017, as part of the simplification of structures of the Group, the merger within the Group of MCI Fund Management Sp. z o.o. (the acquiring company) and MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A., MCI Fund Management II Sp. z o.o. (the companies being acquired) has been registered, which has been described in **Note 28 *"Important events in 2017"***.

Characteristics of subsidiaries

- **MCI Fund Management Sp. z o. o.**

A company with a registered office in Poland which holds certificates of (direct subsidiary of):

  - MCI.TechVentures 1.0 Sub-fund separated within MCI.PrivateVentures FIZ,
  - MCI.EuroVentures 1.0 Sub-fund separated within MCI.PrivateVentures FIZ.

- **Energy Mobility Partners Sp. z o.o.**

A company with a registered office in Poland and does not run operating activities as of the day of preparation these financial statements.

All the abovementioned subsidiaries do not provide services related to investment activities of the Company.

The Company holds 100% of shares in MCI Fund Management Sp. z o.o. and 51% of shares in Energy Mobility Partners Sp. z o.o. (49% of shares is held by Krios Group Sp. z o.o.)

Measurement of shares in subsidiaries

Shares in MCI Fund Management Sp. z o.o. are disclosed in fair value based on the adjusted net asset value of a company as at the balance sheet date. Adjusted net asset value is reflected in fair value of investments in subsidiaries - primarily investment certificates of closed-end investment funds.

The difference between the valuation of subsidiary and the value of investment certificates is affected by:

– Balance of granted and received borrowings, bills of exchange and other assets (receivables, cash and cash equivalents) of PLN 22 million.

The fair value of investment certificates in MCI Fund Management Sp. z o.o. is settled on the basis of published measurements of investment funds based on the reporting valuation or official valuation of the investment funds (in the absence of published financial statements of funds). The measurements of the above funds are carried out on a quarterly basis. The measurements are approved of by the Management Board of MCI Capital TFI S.A.

Measurement of Energy Mobility Partners Sp. z o.o. is an immaterial item and amounts to PLN 2.550.

Below we present a reconciliation of the value of investment certificates held by the Company through subsidiaries and investment certificates held by the Company directly with the value of these subsidiaries as at 31 December 2017 and investment certificates in the amount presented in the Company's balance sheet.

The investment fair value in subsidiaries showing the effect of increase and decrease of investment certificates value by 10 percentage points:

Subsidiary	10%	-10%
MCI Fund Management Sp. z o. o. *	1 330 074	1 084 271
	1 330 074	**1 084 271**

* The value of investment certificates subject to simulation as of 31 December 2017 is PLN 1.229.015 thousand.

Reconciliation of investment certificates held by MCI and assets value of subsidiaries and investment certificates presented in the MCI balance sheet as at 31 December 2017:

Fund	Held %	NAV as at 31.12.2017 attributable to MCI Group	NAV as at 31.12.2017	NAV as at 31.12.2016	Change in NAV
MCI.TechVentures 1.0	51,23%	442 797	864 301	990 248	(125 947)
MCI.EuroVentures 1.0	93,34%	786 218	842 271	789 807	52 464
MCI.CreditVentures 2.0 FIZ	25,38%	51 154	201 559	185 894	15 665
Internet Ventures FIZ	47,21%	26 180	55 452	47 898	7 554
Helix Ventures Partners FIZ	45,28%	3 668	8 100	9 574	(1 474)
Total FIZ assets		**1 310 017**	**1 971 683**	**2 023 421**	**(51 738)**

Fund	(a) New issues	(b) Redemptions	(c) Distribution of profits	(d) Operating results	Total (a+b+c+d)
MCI.TechVentures 1.0	99 550	(280 923)	-	55 426	(125 947)
MCI.EuroVentures 1.0	3 918	(53 448)	-	101 994	52 464
MCI.CreditVentures 2.0 FIZ	110 254	(107 917)	-	13 328	15 665
Internet Ventures FIZ	1 486	(867)	-	6 935	7 554
Helix Ventures Partners FIZ	-	(800)	-	-674	(1 474)
Total FIZ assets	**215 208**	**(443 955)**	**-**	**177 009**	**(51 738)**

Investment certificates held by companies from MCI Group	1 310 017
Liabilities of subsidiaries of MCI	(21 844)
Investments in subsidiaries and investment certificates presented in MCI balance sheet (Note 8 & 9)	**1 288 173**

Reconciliation of investment certificates held by MCI and assets value of subsidiaries and investment certificates presented in the MCI balance sheet as at 31 December 2016:

Fund	Held %	NAV as at 31.12.2016 attributable to MCI Group	NAV as at 31.12.2016	NAV as at 31.12.2015	Change in NAV
MCI.TechVentures 1.0	55,44%	548 993	990 248	939 936	50 312
MCI.EuroVentures 1.0	91,37%	721 647	789 807	823 761	(33 954)
MCI.CreditVentures 2.0 FIZ	46,34%	86 156	185 894	184 489	1 405
Internet Ventures FIZ	48,02%	23 001	47 898	54 468	(6 570)
Helix Ventures Partners FIZ	50,00%	4 787	9 574	21 946	(12 372)
Total FIZ assets		**1 384 584**	**2 023 421**	**2 024 600**	**(1 179)**

Fund	(a) New issues	(b) Redemptions	(c) Distribution of profits	(d) Operating results	Total (a+b+c+d)
MCI.TechVentures 1.0	155 210	(76 940)	-	(27 958)	50 312
MCI.EuroVentures 1.0	33 498	(14 214)	-	(53 238)	(33 954)
MCI.CreditVentures 2.0 FIZ	71 238	(74 046)	-	4 213	1 405
Internet Ventures FIZ	16 125	(13 093)	-	(9 602)	(6 570)
Helix Ventures Partners FIZ	645	-	(14 614)	1 597	(12 372)
Total FIZ assets	**276 716**	**(178 293)**	**(14 614)**	**(84 988)**	**(1 179)**

Investment certificates held by companies from MCI Group	1 384 584
Liabilities of subsidiaries of MCI	(90 813)
Liabilities related to unpaid series of issued investment certificates of MCI.TechVentures 1.0	(95 989)
Investments in subsidiaries and investment certificates presented in MCI balance sheet (Note 8 & 9)	**1 197 783**

10. Investments in associates

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Private Equity Managers S.A.	15 078	21 389
	15 078	**21 389**

Measurement of shares in the associates

	Balance as at 31.12.2017	Balance as at 31.12.2016
Number of shares of Private Equity Managers S.A. owned by MCI Capital S.A.	350 641	350 641
Share price (PLN/share)	43,00	61,00
Value of investment	**15 078**	**21 389**

As at 31 December 2017 the company holds directly 10.24% of shares of Private Equity Managers S.A. (hereinafter: “PEM”). PEM is the parent company of Private Equity Managers S.A. Capital Group, which focuses on the management of MCI assets (*private equity, venture capital and mezzanine debt*), is treated as an associate in connection with the share and personal ownership of the Company.

Since 9 April 2015 shares of the Company have been listed on the Warsaw Stock Exchange. Shares of Private Equity Managers S.A. were priced at PLN 43.00 per share, i.e. closing price of PEM shares at the session of the Warsaw Stock Exchange on 31 December 2017, and the change of their measurement was posted to the financial result. As at 31 December 2016 shares of PEM were measured at PLN 61.00 per share.

11. Loans granted

Loans granted to related entities

As of 31 December 2016 the Company had receivables related to loans granted in the carrying amount of PLN 1.076 thousand, of which PLN 533 thousand were loans granted to related entities. All of the above loans were concluded on market terms.
The abovementioned loans were repaid in fourth quarter of 2017. As of 31 December 2017, the Company did not have granted loans.

MCI Capital S.A. provides investment services involving financial support in the form of loans granted. This activity does not constitute a significant separate business or separate significant source of revenue for the investment entity.

12. Trade and other receivables

Short-term receivables

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Trade receivables	86	116
Receivables from related entities*	23 617	1 072
Tax / budget fees	90	8
Accruals	914	581
Other receivables	13	183
	24 720	**1 960**

*Receivables from related entities consist mainly from receivables related to redemption of H series investment certificates of MCI.CreditVentures 2.0. FIZ, redeemed on 29 December 2017 in the amount of PLN 19 810 thousand, as well as from sureties and financial guarantees granted, sublease charges, mobile phone and taxis, as well as overhead costs associated with the arrangement of the new office.

Due to the short-term nature of these receivables the carrying value is the best approximation of fair value.

Long-term receivables

The balance of trade and other receivables presented as long-term receivables of PLN 412 thousand as at 31 December 2017 consisted of the guarantee deposit receivable that the Company paid to the lessor in connection with the lease of space in accordance with the terms of the lease. The guarantee deposit will remain on the tenant's account throughout the lease term plus three months.

Receivables from related entities

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
MCI.PrivateVentures FIZ*	818	-
MCI Venture Projects Sp. z o.o. VI S.K.A.**	721	-
MCI.CreditVentures 2.0 FIZ***	19 887	-
Private Equity Managers S.A.****	2 081	994
MCI Capital TFI S.A.	39	21
PEM Asset Management Sp. z o.o.	55	41
Others	17	16
	23 617	**1 072**

*Receivables from MCI.PrivateVentures consists mainly from sureties granted, which was described in **Note 27** ***"Suretyship and guarantees"***
Receivables from MCI Venture Projects Sp. z o.o. VI S.K.A. consist mainly from financial guarantees for Czech bonds, which was described in **Note 27 ***"Suretyship and guarantees"***
***Receivables from MCI.CreditVentures 2.0 FIZ consist mainly from H series investment certificates, redeemed on 29 December 2017 in the amount of PLN 19 810 thousand. The Company received the payment from the fund on 1 February 2018.
****This item consists of receivables due to the invoices of telephone and taxi costs, as well as the re-invoiced costs associated with the arrangement of the new office.

13. Receivables related to bills of exchange

Bills of exchange are a liquidity management instrument in MCI Capital S.A.

As at 31.12.2017 the Company did not have receivables related to bills of exchange.

As at 31.12.2016 the Company had receivables related to bills of exchange from the following entities:

	Nominal	Interest	Interest rate	Total
	PLN'000	PLN'000	% over the year	PLN'000
MCI Fund Management Sp. z o.o.	22 000	148	3,20%	22 148
MCI Fund Management Sp. z o.o. Sp. J.	2 900	6	4,81%	2 906
Private Equity Managers S.A.	1 000	9	4,79%	1 009
	25 900	**163**		**26 063**

14. Cash and cash equivalents

As at the balance sheet date the balance of cash and cash equivalents of PLN 25,23 thousand comprised primarily cash in bank and bank deposits and investment units of Quercus Ochrony Kapitału Subfund seat aside in Quercus Parasolowy SFIO.

Investment units of Quercus Capital Protection Subfund (balance at the balance sheet date of PLN 20,004 thousand) are treated as cash equivalents because they are highly liquid assets, i.e. they can be withdrawn from the Subfund within 4 days, easily exchanged for specified amounts in cash and exposed to a slight risk of change in value.

As at 31 December 2016, the balance of cash and cash equivalents amounted to PLN 81,262 thousand.

15. Equity

Share capital

	Balance as at 31.12.2017	Balance as at 31.12.2016
Share capital issued and paid (PLN 000s)	52 887	58 752
Number of shares	52 886 596	58 752 198
Nominal value per share (PLN)	1,00	1,00
Nominal value of all shares (PLN 000s)	**52 887**	**58 752**

In 2017 the Company implemented the Share Buyback Programme in order to its redemption. Redemption of own shares was processed in accordance with resolution no. 4/NWZ/2017 of the Extraordinary General Shareholders Meeting of 5 June 2017 on redemption of 5.899.084 own shares of the Company (shares bought back in 2017 as part of the Share Buyback Programme), which was described in Current report no. 45/2017.

On 21 November 2017 33.482 subscription warrants (« Warrants ») of C series were issued, which were taken by Tomasz Czechowicz. Every single Warrant entitled to take one bearer share in the share capital of the Company in the amount of PLN 1,00/share. On 21 November 2017, the Warrants were converted into shares as part of conditional increase of share capital, which was described by the Company in Current report no. 84/2017.

Reserve capital

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Balance at the beginning of period	**1 020 712**	**926 209**
Decrease due to redemption of shares (Note 28)	(51 783)	(26 960)
Transfer of previous year profit/(loss) to the reserve capital	(82 243)	121 463
Balance at the end of period	**886 687**	**1 020 712**

Own shares

In 2017 the Company implemented the Share Buyback Program in order to its redemption. During 2017, the Company acquired a total of 5.899.084 own shares. Shares were redeemed in June 2017. As at the balance sheet date, the Company did not hold any own shares.

16. Shareholding structure

Major shareholders of the Company as at 31 December 2017

	Participation in the share capital		Participation in the total number of votes at the General Meeting	
	Number of shares	Participation in the share capital	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting
Tomasz Czechowicz	345 482	0,65%	345 482	0,65%
MCI Management Sp. z o.o.*	33 537 126	63,41%	33 537 126	63,41%
Others	19 003 988	35,93%	19 003 988	35,93%
	52 886 596	**100,00%**	**52 886 596**	**100,00%**

*Company controlled by Tomasz Czechowicz (previously Alternative Investment Partners Sp. z o.o.).

Major shareholders of the Company as at 31 December 2016

	Participation in the share capital		Participation in the total number of votes at the General Meeting	
	Number of shares	Participation in the share capital	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting
Tomasz Czechowicz	312 000	0,53%	312 000	0,53%
MCI Management Sp. z o.o.*	32 278 974	54,94%	32 278 974	54,94%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	3 154 209	5,37%	3 154 209	5,37%
BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.	3 068 411	5,22%	3 068 411	5,22%
Others	19 938 604	33,94%	19 938 604	33,94%
	58 752 198	**100,00%**	**58 752 198**	**100,00%**

*Company controlled by Tomasz Czechowicz (previously Alternative Investment Partners Sp. z o.o.).

17. Bond liabilities

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
The value of the liability at the date of issue at face value	287 150	351 950
The value of costs related to the issue	(4 267)	(5 297)
Carrying value of liability as at issue date	**282 883**	**346 653**
Equity component (without deferred tax)*	(578)	(578)
Liability component as at issue date	**282 305**	**346 075**
Interest accrued - costs YTD	36 911	38 398
Interest paid - costs YTD	(32 486)	(33 611)
Repayment	(31 000)	(84 800)
Carrying value of liability as at balance sheet date	**255 730**	**266 062**
Non-current part:	133 001	221 315
Current part:	122 729	44 747
	255 730	**266 062**

* applies to series G1 shares redeemed on 21 March 2018

Bonds issued by MCI Capital S.A.

The following table presents the value of bond liabilities, issue date, redemption date, balance of interest paid and interest rates of particular bonds.
On 30 June 2017 the Company issued O series bonds (nominal value PLN 20 000 thousand).
In October 2017, the Company redeemed I1 series bonds in accordance with its redemption date.

Series of bonds	Date of allocation	Date of redemption	Number of bonds	Interest	Nominal value of bonds	Interest paid until 31.12.2017
					000' PLN	000' PLN
G1* Series	21.03.2014	21.03.2018	50 000	WIBOR.6M + 3,9%	50 000	10 344
I1 Series	17.10.2014	17.10.2017	31 000	WIBOR.6M + 3,9%	31 000	5 315
J1 Series	11.12.2015	11.12.2018	66 000	WIBOR.6M + 3,9%	66 000	7 511
K Series	14.06.2016	24.06.2019	54 500	WIBOR.6M + 3,9%	54 500	4 641
M Series	23.12.2016	20.12.2019	20 650	WIBOR.6M + 3,9%	20 650	1 176
N Series	29.12.2016	29.12.2021	45 000	6,5%	45 000	2 925
O Series	20.06.2017	19.06.2020	20 000	WIBOR.6M + 3,9%	20 000	573
					287 150	**32 486**

*The series of convertible bonds of MCI Capital S.A. The conversion price as at the date of publication of these financial statements amounted to PLN 14,15. Bonds were redeemed on 21 March 2018.

18. Trade and other payables

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Trade payables	528	1 215
Payables to related entities	158	882
Tax liabilities*	1 696	1 216
Social insurance and other burdens liabilities	38	55
Accrued income	1 428	294
Other liabilities	1	446
	3 849	**4 108**
Non-current part:	1 038	-
Current part:	2 811	4 108
	3 849	**4 108**

* The item consists mainly of tax capital group corporate income tax liability.

19. Liabilities related to bills of exchange

As at 31.12.2017 the Company did not have liabilities related to bills of exchange.

As at 31.12.2016 the Company had liabilities related to bills of exchange to following entities:

	Nominal value PLN'000	Interests PLN'000	Interest rate % over the year	Total PLN'000
Cash Ventures Sp. z o.o.*	16 000	31	4,81%	16 031
	16 000	**31**		**16 031**

*The portfolio company of MCI.CreditVentures FIZ 2.0. The bill of exchange was repaid by MCI on March 15 2017.

20. Provisions

	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Provisions for the costs of litigations*	11 466	11 466
Provisions for bonuses and holidays	216	221
Other provisions	171	170
	11 853	**11 857**

***** The provision was set up in connection with the cost of the litigation concerning damages for the bankruptcy of JTT. For details, see **Note 26 *"Contingent assets and liabilities"***.

21. Financial assets and liabilities measured at fair value

The Company discloses at fair value the following components of financial assets and liabilities:

Financial assets designated as measured at fair value through profit/loss at initial recognition:

Investments in shares in subsidiaries, associated entities and other entities which do not run investment operations, as well as investment certificates of investment funds and derivatives are recognised at fair value at initial recognition with changes in fair value disclosed in profit/loss.

The method of shares measurement depends on the type of available source information used in the measurement. For entities the shares of which are not quoted on the active market, the fair value is determined on the basis of measurement techniques commonly applied by market participants. The presumptions of measurement techniques are not based on information coming from the active market, but indicate best the fair value of these entities.

The Company classifies the principles of fair value measurement using the hierarchy below which reflects the importance of source data applied during measurements:

- **Level I** - financial assets/ liabilities measured directly based on prices quoted on the active market.
- **Level II** - financial assets/ liabilities measured with measurement techniques based on information coming from the active market or market observations.
- **Level III** - financial assets/ liabilities measured with techniques commonly applied by market participants. The presumptions of measurement techniques are not based on information coming from the active market.

The table below presents a classification to the relevant measurement level:

	Balance as at 31.12.2017		Balance as at 31.12.2016	
	Level	**Measurement method**	**Level**	**Measurement method**
Investments in subsidiaries				
MCI Fund Management Sp. z o. o.	3	Adjusted net assets	3	Adjusted net assets
MCI Fund Management Sp. z o. o. II MCI.PrivateVentures S.K.A.	-	-	3	Adjusted net assets
MCI Fund Management Sp. z o. o. IV MCI.PrivateVentures S.K.A.	-	-	3	Adjusted net assets
Energy Mobility Partners Sp. z o.o.	3	Adjusted net assets	-	-
Investments in associates				
Private Equity Managers S.A.	1	Price quoted on the active market (WSE)	1	Price quoted on the active market (WSE)
Investment certificates				
Investment certificates of Helix Ventures Partners FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Investment certificates of Internet Ventures FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Investment certificates of MCI.CreditVentures 2.0 FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Derivatives				
Embedded derivative on investment certificates Internet Ventures FIZ	3	According to the contractual terms (valuation of the option giving the MCI a guarantee of return on the invested funds)	3	According to the contractual terms (valuation of the option giving the MCI a guarantee of return on the invested funds)
Embedded derivative on investment certificates Helix Ventures Partners FIZ	3	According to the contractual terms (valuation of the option giving the MCI a guarantee of return on the invested funds)	3	According to the contractual terms (valuation of the option giving the MCI a guarantee of return on the invested funds)

In the Company's opinion, measurement of investment certificates at the net asset value ("NAV") and measurement of investments in subsidiaries at the value of adjusted net assets is the best reflection of the fair value of these investments.

The Company makes transfers between levels of the fair value hierarchy when the change of conditions results in fulfilment of non-fulfilment of the criteria for classification to a particular level. The Company makes transfers between levels of the fair value hierarchy in the interim period in which the event giving rise to the change of conditions occurred. The Company applies a consistent approach to transfers to and from different levels of the fair value hierarchy.

Portfolio companies are measured by different valuation methods, depending on the stage of development of the company, the nature of the business and the industry in which the company operates (comparative methods, invested funds, recent comparable transactions, market prices). The adopted valuation methods are the best reflection of the fair value of individual companies.

Measurement of financial instruments measured at fair value in the statement of financial position

Type of the financial instrument	Method of measurement of the financial instrument	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Non-current assets			
Investment certificates	Measured at fair value through profit/loss	80 999	113 945
Investments in subsidiaries	Measured at fair value through profit/loss	1 207 174	1 083 838
Investments in associates	Measured at fair value through profit/loss	15 078	21 389
Investments in other entities	Measured at fair value through profit/loss	7	7
Derivatives	Measured at fair value through profit/loss	200	2 110

These assets were measured at fair value through profit or loss as designated for measurement by the profit and loss.

Measurement of financial instruments which are not measured at fair value in the statement of financial position

Type of the financial instrument	Method of measurement of the financial instrument	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2016 PLN'000
Non-current assets			
Trade and other receivables	Measured at nominal value	412	437
Loans granted	Measured at amortised cost	-	205
Current assets			
Trade and other receivables	Measured at nominal value	24 720	1 960
Receivables from bills of exchange	Measured at amortised cost	-	26 063
Loans granted	Measured at amortised cost	-	871
Non-current liabilities			
Received loans	Measured at amortised cost	-	107
Liabilities on bonds	Measured at amortised cost	133 001	221 315
Trade and other payables	Measured at nominal value	1 038	-
Current liabilities			
Trade and other payables	Measured at nominal value	2 811	4 108
Liabilities on bonds	Measured at amortised cost	122 729	44 747
Bills of exchange	Measured at amortised cost	-	16 031
Received loans	Measured at amortised cost	-	41

The Company assumes that for these financial instruments not measured at fair value in the statement of financial position, the fair value of these financial instruments is similar to their book value. Mainly bonds liabilities are classified to this category, i.e. bonds which are based on variable interest rate (WIBOR + margin). It allows us to consider that the amortized cost on this basis is the best reflection of the fair value.

22. Employee Benefits

As regards employee benefits, the statement of comprehensive income includes the following amounts:

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Short-term employee benefits	1 266	1 417
Social insurance	45	34
Remuneration paid in shares and option programmes*	521	407
Other employee benefits	58	75
	1 890	**1 933**

*This item in 2017 includes:
- Remuneration in shares: PLN 364 thousand,
- Valuation of the incentive programme: PLN 157thousand.

This item in 2016 includes:
- Remuneration in shares: PLN 357 thousand,
- Settlement of the incentive programme: PLN 50 thousand.

Remuneration of key personnel

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Management Board		
Short-term employee benefits	684	671
Settlement of incentive programmes	-	34
Remuneration paid in shares	521	357
Lump-sum for the use of cars	39	54
	1 244	**1 116**
Supervisory Board		
Short-term employee benefits	103	61
	103	**61**

Employment / function

	Balance as at 31.12.2017 Number of employees	Balance as at 31.12.2016 Number of employees
Management Board	4	4
Supervisory Board	5	6
Operational staff	8	8
	17	**18**

Advances granted to the members of the Management Board

The Company did not grant advances to members of the Management Board in 2017 and 2016.

Loans granted to members of the Management Board

The Company did not grant loans to members of the Management Board in 2017 and 2016.

23. Share-based incentive programmes

The incentive program for the President of the Management Board

On 28 June 2016, the Ordinary General Meeting of the Company decided to issue subscription warrants dedicated to Mr. Tomasz Czechowicz in connection with execution of the remuneration program adopted by the Company's Supervisory Board by Resolution No. 1 of 25 May 2016 (the "Remuneration Program").

Within the Remuneration Program, the Company will issue no more than 100.446 registered C-series subscription warrants with the right to subscribe for no more than 100.446 ordinary shares of series A1 issued by the Company. The proposed purchase of warrants will be addressed exclusively to Mr. Tomasz Czechowicz („entitled person"), while the issue of warrants will be in accordance with the Remuneration Program. Each subscription warrant will entitle to take 1 share. The issue price of shares acquired by the exercise of warrants will amounted to PLN 1,00 per share. Mr. Tomasz Czechowicz will be able to acquire shares by 31 December 2020, on condition that he remains on the position of the member of the Management Board of the Company for the period of acquiring the right to take up the warrants. The first period of acquiring rights means the period from 1 January 2016 to 31 December 2016, during which the entitled person acquires the right to 33.482 subscription warrants. The second vesting period is the period from 1 January 2017 to 31 December 2017, during which the entitled person acquires the right to 33.482 subscription warrants. Third period of acquiring rights means the period from 1 January 2018 to 31 December 2018, during which the entitled person acquires the right to 33.482 subscription warrants (a total of 100.446 warrants). The cost of PLN 364 thousand was recognised in the Company's books as regards the Remuneration Program in 2017. Analogous cost was recognised in 2016.

On 21 November 2017 Mr. Tomasz Czechowicz executed his rights to take subscription warrants acquired within the first vesting period and converted the warrants into shares, which was described in **Note 15 *"Equity"***.

24. Remuneration of the entity authorised to audit financial statements (gross)

	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2016 to 31.12.2016 PLN'000
Audit of annual financial statements	158	160
Review of half-year financial statements	70	74
Other services*	344	-
	572	**234**

*Other services relate to works connected with bond issuance programme.

25. Dividend

The Management Board indents to transfer net profit generated in 2017 in the amount of PN 104.686 thousand into reserve capital.

The Management Board did not adopt a resolution to pay a dividend for 2016.

26. Contingent assets and liabilities

JTT damages

On 2 October 2006 attorneys of MCI Capital S.A. filed an action with the Circuit Court in Wrocław against the State Treasury for PLN 38,5m for the losses incurred and benefits lost by MCI Capital S.A. as the shareholder of JTT Computer S.A., resulting from illegal actions of the tax authorities. Following the binding judgement of the

Appellate Court of 31 March 2011, MCI received a compensation of PLN 46,6m (including interest). The Treasury appealed against the judgment of the Court of Appeal and filed a cassation appeal to the Supreme Court. On 26 April 2012 the Supreme Court dismissed the judgment favourable to MCI and referred to case to be reviewed again by the Appellate Court. On 17 January 2013 the Appellate Court upheld the appealed judgment and re-awarded the JTT compensation to MCI.

The State Treasury filed a cassation appeal to the Supreme Court against the second judgment of the Appellate Court in Wrocław of 17 January 2013. Following the cassation appeal, on 26 March 2014 the Supreme Court repealed the judgment of the Appellate Court of 17 January 2013 and referred the case to be reviewed again by the Appellate Court in Wrocław.

In July 2014 the first hearing before the Court of Appeal took place, which allowed evidence of supplementary hearing of witnesses. In March 2015 another hearing before the Court of Appeal took place during which subsequent witnesses were heard.

At the moment of preparing these financial statements, the proceedings are pending and the case is being reviewed by the Court of Appeal. The court obtained evidence from personal evidence, then asked the team of experts to prepare a supplementary written opinion from a hearing of the expert and specify the dates for that opinion. The experts expressed their readiness to draw up a supplementary opinion. On 4 March 2016, the experts informed the Court that the issue of the opinion would require the involvement of a panel of experts close to that of the first opinion, i.e. at the stage of the first instance court, and that the issue of the opinion would need the proceedings to be re-examined. In January 2017, the court addressed to the experts a letter urging them to submit an opinion. In response, the experts issued supplementary opinion on 6 March 2017, which supported the existing arrangements. The letter responding to the opinion has been submitted. Moreover, the State Treasury filed charges to the opinion. At current stage the court will be recognizing applications of each party concerning complementing the evidence. At the same time, the State Treasury filed to issue another supplementary opinion.

It should be noted that the final judgment of the common court was issued in this case and the judgment was made.

Corporate income tax – JTT compensation

On 20 June 2011 MCI applied to the Minister of Finance for an interpretation regarding the income tax on the compensation obtained from the State Treasury for the impairment of the JTT shares which belonged to MCI. The Company believes that the compensation obtained from the State Treasury is not taxable income. In the individual interpretation of 14 September 2011, the tax authority found the Company's position invalid, so the Company appealed to the Voivodeship Administrative Court against the interpretation. In its judgment of 12 November 2012, the Voivodeship Administrative Court dismissed the appeal and stated, among others, that compensation granted under provisions of the civil law benefited from the exemption from taxation by the end of 1998, when the provision was deleted. In January 2013 the Company filed a cassation appeal against the judgment of the Voivodship Administrative Court to the Supreme Administrative Court.

After the hearing on 9 April 2015 the Supreme Administrative Court issued a judgment which dismissed the cassation appeal. The ruling is final. After receiving written justification for the judgment of the Supreme Administrative Court, a decision was made to bring an appeal complaint to the Constitutional Court on the unconstitutional nature of taxation of compensation obtained from the State Treasury. The constitutional appeal was lodged on 3 November 2015. On 26 April 2016, the Constitutional Court refused to proceed with a constitutional complaint. As a result, national procedural rules were exhausted and the possibility of questioning the operation of the State Treasury was exhausted.

On 30 December 2016 MCI applied to the Head of the First Mazovian Tax Office in Warsaw for the declaration of overpayment in corporate income tax for the tax year 2011. In the correction of the CIT-8 declaration for 2011, the company has shown an overpayment of PLN 5.3 m. As at the date of preparation of this report, the company is awaiting resolution in this case.

In the opinion of the Management Board, compensation received from the State Treasury is not a financial increment and therefore does not meet the definition of income under the Corporate Income Tax Act and should therefore not be treated as a taxable revenue. In addition, it should be noted that, in fact, the State Treasury reduced the compensation paid to the Company for the value of the Company's tax paid, whereas the damage suffered should, in the opinion of the Company's Management Board, be repaired entirely.

As a result, the Company decided to file a correction of the CIT declaration in order to claim a refund of the tax paid on the compensation it owed from the State Treasury.

On 30 December 2017 the Company applied to the Head of First Masovian Tax Office in Warsaw for a statement of excess payment in corporate income tax for 2011. In correction of CIT-8 tax return for 2011, the Company indicated excess payment in the amount of PLN 5,3 million.

On 13 April 2017 the Company received notification from the Head of First Masovian Tax Office in Warsaw that the case regarding excess payment of corporate income tax for 2011 was forwarded to Second Masovian Tax Office in Warsaw.

On 8 June 2018 the Company received from Second Masovian Tax Office in Warsaw refusal to state the excess payment. The Company filed cancellation on 22 June 2017 to the appeal body, i.e. Director of Tax Administration Chamber in Warsaw. On 13 September 2017 the Company received a decision from the appeal body, which maintained the decision of first instance body, i.e. Head of Second Masovian Tax Office in Warsaw.

On 13 October 2017, the Company filed complaint to another appeal body, i.e. Provincial Administrative Court in Warsaw. Director of Tax Administrative Chamber in Warsaw filed to dismiss the complaint on 15 November 2017.

These financial statements do not include any amounts of overpayments in corporate income tax for the 2011 tax year. This will only occur when the refund requested is practically certain to receive.

Administrative proceedings initiated by the Financial Supervision Authority (KNF)

On 3 November 2016, the Polish Financial Supervision Authority initiated proceedings against MCI concerning the imposition of a fine against the suspicion of breach by the Company of the provisions of the Act of 29 July 2015 on the offer and conditions for introducing financial instruments to organized trading and on public companies. The proceedings were initiated in connection with the acquisition by the Company in 2010 Travelplanet.pl S.A. shares.

On 1 September 2017 the Company has received the decision from Financial Supervision Authority of 29 August 2017, in which the KNF imposed a penalty on the Company and on the physical person in the amount of PLN 100 thousand for each party of the proceeding. The Company and the physical person act in the proceeding at the same side. Due to the fact that the physical person filed an application to re-examine the case, the decision issued by the KNF is not definitive. As at 31 December 2017 the Company had provision for this case in the amount of PLN 100 thousand.

27. Suretyship and guarantees

Sureties granted to MCI.CreditVentures 2.0 FIZ

- Surety of 23 June 2015

On 23 June 2015 MCI Capital S.A. guaranteed a revolving loan of PLN 5.000.000 granted by Alior Bank S.A. to MCI CreditVentures 2.0. The guarantee covers liabilities of MCI CreditVentures 2.0 related to the loan agreement of 19 June 2015 if MCI CreditVentures 2.0 failed to repay such liabilities when due.

- Surety of 13 February 2017

On 13 February 2017, Private Equity Managers S.A. granted a surety for loan liabilities in the amount of PLN 15.300 thousand granted under the Loan Agreement for a revolving loan in a loan account dated 13 February 2017 by Alior Bank S.A. with headquarters in Warsaw for the benefit of MCI.CreditVentures 2.0 FIZ. The surety covers the Borrower's liabilities under the aforementioned Loan in the event that the Borrower fails to perform these obligations within the set time limit. The final repayment date is 14 November 2019.

On 11 May 2017, based on the Annex to the Loan Agreement, a revolving loan in the loan account dated 13 February 2017 changed the loan surety granted to MCI.CreditVentures 2.0 FIZ from Private Equity Managers SA. at MCI Capital S.A. The guarantee of Private Equity Managers S.A. expired, and MCI Capital S.A. it has become a new guarantor of the loan. The surety was granted up to PLN 30.600 thousand.

Sureties granted to MCI.PrivateVentures FIZ

- Surety of 11 September 2014 – MCI.EuroVentures 1.0 subfund

On 31 July 2015, MCI Capital S.A. granted a surety for liabilities under a loan granted by Alior Bank S.A. a revolving loan agreement in the credit account dated 11 September 2014 as amended by annex No. 1 dated 1 October 2014 and annex No. 2 dated 29 July 2015 in the amount of PLN 41.000 PLN for MCI.PrivateVentures

FIZ with a separate MCI.EuroVentures 1.0 subfund. On 7 March 2016, the Company signed a statement on the establishment of an enforcement title pursuant to art. 777 § 1 point 5 of the Civil Code up to a maximum amount of PLN 82.000 thousand. The bank is entitled to give the act the enforceability clause by 19 September 2020.

On 2 November 2016, an annex to the loan agreement was signed, based on which the maximum loan value was reduced from PLN 41.000 to PLN 30.000 thousand. On this basis, the maximum surety amount is also reduced from PLN 82.000 thousand to PLN 60.000 thousand.

On 11 September 2014. MCI Capital S.A. granted a surety, subsequently amended annex no. 1 to the surety of 31 July 2015 and annex no. 2 for surety from 8 November 2017. for loan liabilities granted by Alior Bank S.A. a revolving loan agreement in the loan account of 11 September 2014 with subsequent annexes of 1 October 2014; 29 July 2015; 7 January 2016; 2 November 2016; 8 September 2017; 6 October 2017 and 8 November 2017. in the amount of PLN 30.000 thousand to MCI.PrivateVentures FIZ with a separate MCI.EuroVentures 1.0 subfund. The company signed a statement on the establishment of an enforcement title pursuant to art. 777 § 1 point 5 of the Civil Code up to a maximum amount of PLN 60.000 thousand. The bank is entitled to give the act the enforcement clause by 6 November 2023.

- Surety of 31 July 2015 – subfund MCI.EuroVentures 1.0

On 31 July 2015, MCI Capital S.A. granted a surety for a loan granted by Alior Bank S.A. for the benefit of MCI.PrivateVentures FIZ with a separate subfund MCI.EuroVentures 1.0 for liabilities under a Credit Facility for a revolving loan in a loan account of EUR 10.000 thousand. On 31 July 2015, the Company signed a statement on the establishment of an enforcement title pursuant to art. 777 § 1 point 5 of the Civil Code up to a maximum amount of EUR 20.000 thousand. The bank is entitled to give the act the enforceability clause by 28 July 2021.

- Surety of 31 July 2015 – subfund MCI.TechVentures 1.0

On 31 July 2015, MCI Capital S.A. granted a surety for a loan granted by Alior Bank S.A. for the benefit of MCI.PrivateVentures FIZ with a separated MCI.TechVentures 1.0 sub-fund for liabilities under a Loan Agreement for a revolving loan in the loan's credit facility in the amount of EUR 10.000 thousand. On 31 July 2015, the Company signed a statement on the establishment of an enforcement title pursuant to art. 777 § 1 point 5 of the Civil Code up to a maximum amount of EUR 20.000 thousand. The bank is entitled to give the act the enforceability clause by 28 July 2021.

On 12 April 2017, the Annex to the aforementioned credit agreement granted by Alior to MCI.PrivateVentures FIZ with a separate sub-fund MCI.TechVentures 1.0. On the basis of the Annex, the loan amount has been reduced to EUR 3.000 thousand. On this basis, the maximum surety amount is reduced from EUR 20.000 thousand to EUR 6.000 thousand.

- Surety of 12 April 2017 - subfund MCI.TechVentures 1.0

On 12 April 2017, MCI Capital S.A. granted a surety for a loan granted by Alior Bank S.A. for the benefit of MCI.PrivateVentures FIZ with a separate sub-fund MCI.TechVentures 1.0 for liabilities under a Credit Facility for a revolving loan in the credit loan account in the amount of PLN 30.000 thousand. The surety covers the Borrower's liabilities under the aforementioned Loan in the event that the Borrower fails to perform these obligations within the set time limit. On 12 April 2017, the Company signed a statement on the establishment of an enforcement title pursuant to art. 777 § 1 point 5 of the Civil Code up to a maximum amount of PLN 60.000 thousand.

Financial guarantee for liabilities under bonds issued by MCI Venture Projects Sp. z o.o. VI SKA

On 10 March 2016, the Company granted a financial guarantee in connection with the issue of bonds by MCI Venture Projects Spółka z o.o. VI Limited joint-stock partnership. The guarantee was granted on Czech law. The guarantee secures the following obligations of the Issuer:
- to pay the nominal value and interest on the Bonds;
- due to unjust enrichment towards a given holder of the Bonds caused by the invalidity or annulment of the Bonds;
- for sanctions caused by improper or late payment of Bonds.

In connection with the additional issue of the Bonds on 11 October 2016, the total nominal value of the Bonds is CZK 699.000.000 (about PLN 110.651.700 using the CZK / PLN exchange rate of 11 October 2016, i.e. 0,1583). The value of interest on the Bonds determines the terms of issue of the Bonds. The interest is calculated on the basis of a variable interest rate, depending on the value of the 6M PRIBOR reference rate and increased by a margin of 3,8% per annum. The guarantee secures the above-mentioned liabilities up to an amount not higher than 130% of the total nominal value of the issued Bonds, created up to 8 April 2021. The maximum value of the above liabilities to be repaid by the Company under the Guarantee (after the issue of 11 October 2016) will not exceed 908.700.000 Czech crowns (about 143.847.210 PLN assuming that 1 Czech crown corresponds to 0,1583).

The guarantee was granted until the day on which the obligations covered by the Guarantee are fully met, but no longer than until 8 April 2022.

Due to the granted financial guarantee, the Company claims a remuneration of 1% per annum from the value of collateral, which is approximately PLN 1,4 million per year.

28. Major events in 2017

Merger of subsidiaries

On 29 December 2017, the District Court for Warsaw in Warsaw, has made an entry into register of companies, of merger of subsidiaries: MCI Fund Management Sp. z o.o. (the acquiring company), MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A. (the company being acquired), MCI Fund Management Sp. z o.o. IV MCI.PrivateVentures S.K.A. (the company being acquired) and MCI Fund Management II Sp. z o.o. (the company being acquired). The merger of the above companies was processed in accordance with article 492 § 1 point 1) of the Commercial Code by transferring the entire assets of each company being acquired for the acquiring company.

MCI holds 100% shares in the share capital of MCI Fund Management Sp. z o.o.

Alternative Investment Company status

In connection with ambiguous wording of Act on investment funds and discrepancies in their interpretation, MCI has prudentially submitted to KNF an application for a permit to act as managing alternative investment companies. As of the day of preparation these financial statements, the Company is awaiting for decision of KNF in this case.

Own share repurchase programme

In 2017, the Company implemented the Buy-Back Programme of its own shares in order to redeem them. The legal basis for the purchase of the Company's own shares is the resolution No. 5 of the Extraordinary General Meeting of MCI Capital S.A. dated 17 November 2015, which was amended on 14 November 2016 by Resolution No. 4 of the Extraordinary General Meeting of MCI Capital SA, pursuant to which the Company was authorized to purchase a maximum of 10.000.000 own shares with a nominal value of PLN 1.00. The authorization to purchase shares was granted for the period up to 31 December 2018.

As part of the Buy-Back Program, the Company purchased to redeem:

- in February 2017, 1.257.660 own shares, representing 2.14% of the share capital of the Company (average share purchase price PLN 8,82);
- in April 2017, 4.641.424 own shares, which accounted for 7.90% of the Company's share capital (average share purchase price PLN 10,00);

On 23 June 2017, the Company redeemed a total of 5.899.084 own shares (shares purchased in 2017 as part of the Buy-Back Program). As a result of the redemption, the share capital of the Company decreased from PLN 58.752.198 to PLN 52.853.114.

Redemption of I1 series bonds

On 17 October 2017 I1 series bonds with total nominal value of PLN 31.000.000 issued by the Company on 17 October 2014 were redeemed. These bonds were quoted on Catalyst run by BondSpot S.A.

Issue of O series bonds

On 20 June 2017 the Company issued 20.000 bearer bonds of O series with nominal value PLN 1.000 each, with total nominal value of PLN 20.000.000. The redemption date was set to 19 June 2020. Interest of the bonds amounts to WIBOR 6M plus 3.90% margin. Payment of interests will be made in semi-annual periods. Bonds were introduced to alternative trading system Catalyst organised by BondSpot S.A.

In accordance with the decision of the District Court for Warsaw in Warsaw of 6 and 8 June 2017, the registered pledge in the form of 71.630 investment certificates of MCI.PrivateVentures FIZ with subfund MCI.TechVentures 1.0. and 349 investment certificates of MCI.PrivateVentures FIZ with subfund MCI.EuroVentures 1.0. belonging for the subsidiary – MCI Fund Management Sp. z o.o., was set.

29. Subsequent events

Issue of P series bonds

On 5 March 2018, the Company issued 37.000 bearer bonds of P series with nominal value PLN 1.000 each, with total nominal value of PLN 37.000.000. Bonds were issued with 98,6% discount. Redemption date was set to 4 March 2021. Interest rate of the bonds amounts to WIBOR 6M + 4.00%. Bonds are secured on 135.680 investment certificates of subfund MCI.TechVentures 1.0 separated from MCI.PrivateVentures FIZ.

Redemption of G1 series bonds

On 21 March 2018, The Company redeemed 50.000 bonds of G1 series with nominal value PLN 1.000 each, with total nominal value of PLN 50.000.000.

Public issuance programme

MCI plans to implement the first public bond program addressed to retail clients. As part of the program, the Company will issue bonds with a total nominal value of up to PLN 150.000.000. Work on the approval of the prospectus by the Polish Financial Supervision Authority is underway.

Granting a financial guarantee

On 16 March 2018, the Company granted a financial guarantee to AAW X Sp. z o.o. in connection with the planned issue of bonds on the Czech market. The guarantee was granted on Czech law. The guarantee is collateral up to an amount not higher than 130% of the nominal value of issued bonds, i.e. up to CZK 222.320.000.

30. Abbreviated financial information on the MCI investment funds

The subject of MCI investments are closed-end investment funds.

As at 31 December 2017, the Company held:
- 25,38% of investment certificates MCI.CreditVentures FIZ 2.0,
- 47,21% of investment certificates Internet Ventures FIZ, and
- 45,28% of investment certificates Helix Ventures Partners FIZ.

In addition, an MCI direct subsidiary, i.e. MCI Fund Management Sp. z o.o. (“MCI FM”) (MCI has 100% of shares in MCI FM) invests in investment certificates of closed-end investment funds.

As at 31 December 2017, the Company held:
- 93,34% of investment certificates Subfund MCI.EuroVentures 1.0 separated from MCI.PrivateVentures FIZ, and
- 51,23% of investment certificates Subfund MCI.TechVentures 1.0 separated from MCI.PrivateVentures FIZ.

Investment certificates are measured at fair value. Measurement is based on measurement at fair value of elements of the Fund investments and other assets and liabilities. Any change in the measurement of the aforementioned assets and liabilities is reflected in the net asset value (“NAV”) of each of the Funds, which translates directly to the revaluation of investment certificates.

Below is condensed financial information as at 31 December 2017 concerning investment funds in which MCI and MCI FM have investment certificates (based on reporting measurements of the funds):

Item	Credit Ventures FIZ		Internet Ventures FIZ		Helix Ventures Partners FIZ		Subfund MCI.EuroVentures 1.0		Subfund MCI.TechVentures 1.0		Total	Total
	31.12.2017	MCI Share	31.12.2017	MCI Share	31.12.2017	MCI Share	31.12.2017	MCI Share	31.12.2017	MCI Share	31.12.2017	MCI/MCI FM Share
	100,00%	25,38%	100,00%	47,21%	100,00%	45,28%	100,00%	93,34%	100,00%	51,23%	100,00%	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
NAV structure:	201 559	51 154	55 452	26 180	8 100	3 668	842 271	786 218	864 301	442 797	1 971 683	1 310 017
- Public companies	-	-	-	-	-	-	6 709	6 262	35 490	18 182	42 199	24 444
- Non-public companies	202 648	51 430	56 571	26 708	7 853	3 556	771 018	719 710	854 515	437 784	1 892 605	1 239 188
- Cash, including deposits	20 597	5 228	356	168	261	118	64 410	60 120	30 524	15 637	116 148	81 271
- Other assets	254	64	12	6	35	16	225 124	210 131	1 299	665	226 724	210 882
- Liabilities	21 940	5 568	1 487	702	49	22	224 990	210 006	57 527	29 471	305 993	210 882
Net investment income	8 448	2 144	(2 581)	(1 218)	(76)	(34)	28 578	26 675	(26 787)	(13 723)	7 582	245 769
Realized and unrealized profit / loss	4 880	1 239	9 516	4 493	(598)	(271)	73 416	68 526	82 213	42 118	169 427	13 844
Result from operations for the period	13 328	3 383	6 935	3 274	(674)	(305)	101 994	95 201	55 426	28 395	177 009	116 105

Below is condensed financial information as at 31 December 2016 concerning investment funds in which MCI and MCI FM have investment certificates (based on reporting measurements of the funds):

	Credit Ventures FIZ		Internet Ventures FIZ		Helix Ventures Partners FIZ		Sub-fund MCI.EuroVentures 1.0		Sub-fund MCI.TechVentures 1.0		Total	Total
Item	31.12.2016	MCI Share	31.12.2016	MCI Share	31.12.2016	MCI Share	31.12.2016	MCI Share	31.12.2016	MCI Share	31.12.2016	MCI / MCI FM Share
	100,00%	46,34%	100,00%	48,02%	100,00%	50,00%	100,00%	91,37%	100,00%	55,44%	100,00%	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
NAV structure:	185 894	86 156	47 898	23 000	9 574	4 787	789 807	721 647	990 248	548 993	**2 023 421**	**1 384 584**
- Public companies	7 815	3 621	-	-	-	-	92 246	84 285	55 950	31 019	156 011	118 925
- Non-public companies	171 291	79 376	41 272	19 819	9 251	4 626	790 790	706 956	825 931	457 896	1 838 535	1 268 673
- Cash, including deposits	7 243	3 356	261	125	341	171	94 676	86 505	2 120	1 175	104 641	91 333
- Other assets	127	72	6 492	3 117	42	21	711	650	138 364	76 709	145 736	80 569
- Liabilities	582	270	127	61	60	30	188 616	156 750	32 117	17 806	221 502	174 916
Net investment income	4 931	2 285	(1 633)	(784)	(60)	(30)	(24 653)	(22 034)	(32 212)	(17 858)	(53 627)	(38 421)
Realized and unrealized profit / loss	(718)	(333)	(7 969)	(3 827)	1 657	829	(28 585)	(26 610)	4 254	2 358	(31 361)	(27 582)
Result from operations for the period	4 213	1 952	(9 602)	(4 611)	1 597	799	(53 238)	(48 644)	(27 958)	(15 500)	(84 988)	(66 004)

*On 30 November 2016, all shares indirectly held by the MCI.EuroVentures 1.0 subfund of Wirtualna Polska were sold for PLN 390 m (PLN 50 per share). It was the largest such transaction on the WSE in 2016, as well as one of the largest transaction on the Polish capital market.

**Negative measurement of derivative instruments is presented in conjunction with measurement of portfolio companies.

31. Related entities

Information on transactions with related entities as at 31 December 2017

	Ultimate controlling entity	Subsidiaries	Associates	Other related entities*	Total
Investments:					
Investments in subsidiaries	-	1 207 174	-	-	1 207 174
Investments in associates	-	-	15 078	-	15 078
Investment certificates	-	-	-	80 999	80 999
Derivatives	-	-	-	200	200
Receivables:					
Trade and other receivables	-	3	2 081	21 533	23 617
Liabilities:					
Trade and other payables	-	154	4	-	158
Liabilities on bonds	19 265	-	-	-	19 265
Income and expenses:					
Revaluation of shares	-	123 334	(6 312)	-	117 022
Revaluation of investment certificates	-	-	-	8 283	8 283
Revaluation of derivative financial instruments	-	-	-	(1 910)	(1 910)
Operating expenses	-	-	(1)	-	(1)
Revenues from dividends received	-	-	1 027	-	1 027
Financial income	-	841	56	4 134	5 031
Financial expenses	(1 230)	(675)	-	(157)	(2 062)

*As other related entities are presented: all investment funds, portfolio companies under the funds, companies for which PEM is the parent entity, i.e. MCI Capital TFI S.A., PEM Asset Management Sp. z o.o. and indirect subsidiaries of MCI.

Information on transactions with related entities as at 31 December 2016

	Ultimate controlling entity	Subsidiaries	Associates	Other related entities*	Total
Investments:					
Investments in subsidiaries	-	1 083 838	-	-	1 083 838
Investments in associates	-	-	21 389	-	21 389
Investment certificates	-	-	-	113 945	113 945
Derivatives	-	-	-	2 110	2 110
Receivables:					
Trade and other receivables	-	1	994	77	1 072
Receivables from bills of exchange	-	22 148	1 009	2 906	26 063
Loans granted	-	205	-	328	533
Liabilities:					
Trade and other payables	-	440	-	442	882
Liabilities on bonds	19 117	-	-	-	19 117
Income and expenses:					
Revaluation of shares	-	(56 058)	(20 337)	-	(76 395)
Revaluation of investment certificates	-	-	-	(10 959)	(10 959)
Revaluation of derivative financial instruments	-	-	-	326	326
Other income on investments	-	-	-	12 080	12 080
Operating expenses	-	-	(6)	(3)	(9)
Revenues from dividends received	-	-	5 053	-	5 053
Financial income	-	166	9	4 401	4 576
Financial expenses	(1 221)	(768)	-	(31)	(2 020)

*As other related entities are presented: all investment funds, portfolio companies under the funds, companies for which PEM is the parent entity, i.e. MCI Capital TFI S.A., PEM Asset Management Sp. z o.o. and indirect subsidiaries of MCI.

32. Operating lease agreements

As at the balance sheet date, the Company does not use any fixed assets under an operating lease agreement.

33. Operating segments

The company does not separate operating or geographical segments.

34. Description of material accounting policies

Material accounting policies applied while preparing these financial statements are presented below.

Comparative data

For comparative data presented in the financial statements, the accounting principles identical to information as at and for the twelve months ended 31 December 2017 were adopted.

Going concern

The financial statements of the Company were prepared on the assumption that the Company would continue as a going concern in the foreseeable future comprising a period not shorter than 12 months after the balance sheet date, i.e., after 31 December 2017. As at the date the financial statements are approved, the Management Board of the Company is aware of no facts or circumstances that would pose a threat to the going concern by the Company during 12 months after the balance sheet date as a result of intended or forced discontinuation or material restriction of the existing activities by the Company.

Investment entity

The Company does not consolidate subsidiaries, because it has the status of an individual investment entity as it fulfils the criteria of IFRS 10 par. 27.

The Company meets the criteria for classification as an investment entity as defined in paragraph 27 of IFRS 10, namely:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis, thus it can be classified as an investment entity.

In accordance with IFRS 10.31, an investment entity does not extend consolidation over its subsidiaries other than the subsidiaries which carry on investment activities. Therefore, investments in subsidiaries which carry on investment activities are fully consolidated. Investments in subsidiaries which do not carry on investment activities are measured at fair value through profit or loss and recognised in the financial result for the period.

The fair value of investments in subsidiaries (which do not carry on investment activities) is calculated on the basis of adjusted net asset value of each of the subsidiaries at the balance sheet date. The adjusted net asset value is determined on the basis of measurement of net asset value of the funds which issue investment certificates in which the subsidiaries invest. The value of investment certificates of these funds, in turn, is based on the fair value measurement of investments in portfolio companies, adjusted for liabilities of the funds.

Investments in subsidiaries

Investments in subsidiaries are measured at fair value through profit or loss and recognised in the financial result for the period in accordance with IAS 10.31. The fair value of investments in subsidiaries (which do not carry on investment activities) is calculated on the basis of adjusted net asset value of each of the subsidiaries at the balance sheet date. The adjusted net asset value is determined on the basis of measurement of net asset value of the funds which issue investment certificates in which the subsidiaries invest. The value of investment certificates of these funds, in turn, is based on the fair value measurement of investments in portfolio companies, adjusted for liabilities of the funds.

Investments in associates

An associate is an entity over which the investor has significant influence. A significant influence is the ability to participate in decision-making on financial and operating matters of the entity in which the investment was made, but at the same time it does not imply maintaining control or joint control over the policy.

In line with IFRS 27.11 MCI measures its investments in associated entities or joint ventures at fair value through profit and loss by the financial result in line with IFRS 9.

Measurement of investments in associated entities at fair value is disclosed in the financial statements in line with IFRS 27.11.

Measurement of investments in associated entities at fair value is based on:
- for listed companies – quotations of shares on the public market as at the balance sheet date,
- for companies not listed on the public market:
    a) at fair value of net assets of an associated entity as at the balance sheet date or,
    b) for representative sales transactions of shares of an associated entity in the reporting period – at the value of the share from this sales transaction.

Foreign currencies

As at the balance sheet date financial assets and liabilities denominated in foreign currencies are converted according to the average rate determined by the National Bank of Poland applicable on that day. Profits and losses arising on the currencies translations are disclosed directly in the statement of profit and loss, except for if they arose as a result of measurement of assets and liabilities when changes of fair value are disclosed directly in equity.

General and administrative expenses

General and administrative expenses are the administrative and economic costs connected with the maintenance of the Company and ensuring of its proper functioning. General and administrative expenses include, among others:
- salaries and employee benefits, as well as the costs of social security (this applies to persons employed under an employment contract, mandate contracts or contracts for a specific work),
- costs of third party services,
- depreciation of fixed assets and amortization of intangible assets,
- consumption of materials and energy,
- taxes and fees,
- other costs.

Employee benefits

Amounts of short-term employee benefits, other than those on account of employment termination and capital benefits, are recognised as liabilities, after acknowledging all amounts which have already been paid, and at the same time they are posted as costs of the period, unless the benefit is to be recognised as original costs of the asset.

Employee benefits in the form of paid absences are recognised as liabilities and costs at the moment when employees performed work if the work performed causes an increase of possible future paid absences or at the moment when they occur if there is no connection between work and increase of possible future paid absences.

Share-based payments

Equity compensation plans include shares, share options and other capital instruments issued by an entity, as well as cash payments the value of which depends on the future market price of the entity's shares.

The total amount charged to costs during the period when staff obtains entitlements to realise options is determined on the basis of the fair value of granted options, with exclusion of the effect of potential non-market conditions of obtaining entitlements (e.g. goals to be achieved as regards profitability and sales increase).

Proceeds from realisation of options (less transaction costs directly related to the realisation) are disclosed in the share capital (nominal value) and the share premium from the sales of shares above their nominal value.

Tax

Compulsory charges on the financial result include: the current tax and the deferred tax. The current tax liability is calculated on the basis of the tax result (taxation base) for a given financial year. Tax profit (loss) differs from net accounting profit (loss) due to exclusion of taxable revenues and tax deductible costs in the following periods, as well as items of revenues and expenses which are never subject to taxation. The tax liability is calculated on the basis of tax rates valid in the given financial year.

The deferred tax is calculated using the balance sheet method as the tax to be paid or returned in the future on the differences between the carrying value of assets and liabilities and the corresponding tax values used to calculate the taxation base.

The deferred tax provision is set up on all positive taxable transitional differences, while the deferred tax asset is recognized to the likely value of reducing future taxable profits by recognized negative transitional differences.

No tax asset or liability occurs if the transitional difference occurs as a result of the goodwill or primary recognition of another asset or liability in the transaction which does not affect the tax result or accounting result.

The value of the deferred tax asset is analysed on each balance sheet date. If the expected future tax profits are insufficient to realise the asset or part of that asset, it is written down.

The deferred tax is calculated with tax rates valid when the asset is realised or the liability matures.

The deferred tax is recognised in the income statement, except when it refers to items directly recognised in equity. In the latter case, the deferred tax is also settled directly into equities.

As a result of the creation of the Tax Group, during the Tax Group period the companies forming the Tax Group are obliged to maintain a profitability ratio of at least 3% (profit of revenues ratio) for each tax year.

Losses generated by companies before Tax Group are not subject to expiration. For this reason, MCI will be entitled to settle tax losses for the next five consecutive fiscal years, with the Tax Group period not being taken into account when calculating successive tax years in succession.

Financial instruments

Assets and financial liabilities are disclosed in the balance sheet at the moment when the Company becomes a party to a binding agreement.

The Company classifies financial instruments to the following categories: components of financial assets or financial liabilities measured at fair value through profit/loss, held-to-maturity investments, borrowings and receivables, financial assets available for sale.

Financial assets

The Company classifies the following components of financial assets at fair value through profit/ loss: investments in subsidiaries and associated entities, investment certificates, derivatives.

Investments in subsidiaries and associated entities are measured at fair value through profit/ loss at initial recognition in line with IFRS 10, 28 and 27. The measurement method at fair value depends on the type of available source information applied during the measurement. For entities whose shares are not quoted on the active market, the fair value is determined on the basis of measurement techniques commonly applied by market participants. The presumptions of measurement techniques are not based on information coming from the active market, but indicate best the fair value of these entities.

The fair value of investment certificates is determined based on net asset value of funds.

The fair value of derivatives is determined on the basis of measurements at fair value with the use of available source information.

Changes in fair value of these assets are disclosed in the income statement. Financial assets are disclosed under the following items of the balance sheet:
- investments in subsidiaries,
- investments in associated entities;

- investment certificates,
- derivatives
- cash and cash equivalents,
- trade receivables,
- other financial assets - bills of exchange,
- loans granted.

Financial revenue and expenses

Financial revenue and expenses include interest generated by the particular financial asset or liability and are recognised on the accruals basis, i.e. in the financial year which these relate to.

Impairment of financial assets

As at each balance sheet date the Company evaluates if there is objective evidence for impairment of a financial assets component or a group of financial assets.

For assets disclosed at amortised cost if there is objective evidence that an impairment loss is incurred, the amount of the impairment loss equals the difference between the carrying value of a financial assets component and the current value of estimated future cash flows (exclusive of future losses on uncollected receivables which have not yet been incurred), discounted through applying the primary effective interest rate (i.e. interest rate determined at initial recognition). The impairment amount is disclosed in the income statement.

In the first place the Company assesses if there is objective evidence for impairment of financial assets components which are material as individual components, as well as evidence for impairment of financial assets which are not material as individual assets. Objective evidence for impairment of financial assets components or of a group of assets includes information obtained by a holder of asset components and relating to the following events:

- the issuer or debtor having material financial difficulties,
- not keeping terms of an agreement,
- the lender grants the borrower certain facilities due to the borrower's economic difficulties,
- high probability of the borrower's bankruptcy or other financial restructuring,
- disappearance of an active market for a given financial asset due to financial difficulties.

If a conducted analysis reveals that there is no objective evidence for impairment of a financial asset which was tested individually, regardless of its being material or immaterial, the Company includes this asset to a group of financial assets with a similar credit risk and tests it for impairment jointly. Assets which are tested for impairment individually and for which an impairment loss is recognised, or for which it has been decided that the current loss would not be changed, are not considered for combined evaluation of a group of assets for impairment. If the impairment loss decreases in the following period and this decrease is objectively connected with an event taking place after the recognition of the loss, the loss recognised previously is reversed. The reversal of the impairment loss is disclosed in the income statement in the amount in which the carrying value of the asset did not exceed its depreciated cost/ recoverable amount as at the reversal date.

Investment certificates

Investment certificates are measured at fair value through profit or loss and are recognized in the financial result of the current period. The fair value of investment certificates is the reporting valuation of funds (or official valuation if reporting valuation is not available), i.e. the net asset value of the investment certificates ("NAV per IC") held by the Company. Valuation of investment certificates is made at the frequency specified in the fund’s Statute, but not less than once every three months. It is based on an estimate of the value of the financial instruments in which the fund invests. Individual components of the fund’s investments (shares, derivatives, debt instruments, etc.) are measured at fair value. The revaluation of investment components is made quarterly. Valuation of other assets and liabilities of funds is also carried out at fair value. Therefore, the reporting and official valuation of funds (i.e. NAV per IC) is the best reflection of the fair value of investment certificates.

Cash and cash equivalents

Cash and short-term deposits reported on the balance sheet include cash in bank and cash at hand and short-term deposits with the initial maturity up to three months.

Financial liabilities

After the initial recognition the Company measures financial liabilities at amortised cost with the use of the effective interest rate method. Financial liabilities are disclosed under the following items:
- loans, borrowings,
- bonds,
- bills of exchange,
- trade and other payables.

Profits and losses in measurements of financial liabilities are disclosed in the income statement under financial income and expenses.

Bonds convertible into shares

The Company issued convertible bonds, which are classified as financial liabilities. Convertible bonds at the time of issue are the obligation of the issuer and are recognized in accordance with the rules provided for financial liabilities. Convertible bonds are an instrument of complex – commitment, but also an equity instrument, containing a conversion option into shares of the parent company. Upon initial recognition of the bond, the liability component and the equity component must be individually separated. The sum of the carrying amounts of: the liability and equity components is equal to the fair value that would be ascribed to the instrument as a whole. Upon initial recognition, first place the carrying value of the liability component is determined by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the complex financial instrument as a whole. Due to the fact that the market in which the transaction took place is not significantly different from the main market, it should be considered that the transaction price reliably determines the fair value of convertible bonds. Convertible bonds have been valued as the sum of the value of the variable bond and the option of conversion of the bond into shares of the parent company. The ordinary bond component was measured separately from the possibility of converting the instrument into shares, by measuring the discounted cash flows from interest (from the point of view of the bondholder), whereby the discount rate is the interest rate that the Company would pay for the bonds without the right to convert the bonds into shares. The value of the equity component was calculated according to provisions of IAS 32.32, by subtracting the liability component from the fair value of the convertible bond. The liability component is presented under liabilities on the balance sheet, while the equity component is presented as a component of equities.

Provisions for liabilities

Provisions for liabilities are established when the Company is under present obligation (legal or customary) resulting from past events and it is probable that meeting this obligation will cause a reduction of the Company's economic benefits and that one may reliably estimate the liability amount. If the Company expects that provisioned costs can be reimbursed, for example under an insurance contract, then the refund is posted as a separate asset, only when it is basically certain that the refund is to actually take place. Costs of a provision are posted to the income statement, decreased by all the refunds. Provisions for future operating losses are not established.

Functional currency. Disclosure of figures in the financial statements

The items included in the financial statements relating to the Company are measured using the primary currency of the economic environment in which the Company operates ("the functional currency"), which is the Polish zloty. The data in the financial statements are presented in thousands of Polish zlotys, unless stated otherwise.

Changes in IFRS

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2017:

Standards and Interpretations adopted by EU	Nature of impending change in accounting policy
IFRS 15 Revenue from Contracts with Customers **and** **Clarifications to IFRS 15 Revenue from Contracts with Customers**	The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised: • over time, in a manner that depicts the entity's performance; or • at a point in time, when control of the goods or services is transferred to the customer.

Standards and Interpretations adopted by EU	Nature of impending change in accounting policy
	IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard. The amendments clarify how to: • identify a performance obligation - the promise to transfer a good or a service to a customer- in a contract; • determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and • determine whether the revenue from granting a license should be recognised at a point in time or over time. The amendments also provide entities with two additional practical expedients: • An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only); • For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).
IFRS 9 Financial Instruments (2014)	This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting until the standard resulting from the IASB's project in macro hedge accounting is effective. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. A financial asset is measured at amortized cost if the following two conditions are met: • the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. Otherwise, e.g. in the case of equity instruments of other entities, a financial asset will be measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, other than assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets – such remeasurement gains and losses are recognized in OCI. In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances. For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases: • 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and • Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required. The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.
Annual Improvements to IFRS 2014-2016 Cycle	The Improvements to IFRSs (2014-2016) contains 3 amendments to standards. The main changes were to: • delete short-term exemptions for first-time adopters (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating, inter alia, to transition provisions of IFRS 7 Financial Instruments - Disclosures regarding comparative disclosures and transfers of financial assets, and of IAS 19 Employee Benefits; The exemptions were deleted due to the fact that these reliefs had been available to entities only for reporting periods that had passed; • clarify that requirements of IFRS 12 Disclosure of Interest in Other Entities (with an exception of disclosure of summarized financial information in accordance with paragraphs B10-B16 of that standard) apply to entities that have an interest in subsidiaries, or joint arrangements, or associates, or unconsolidated structured entities, which are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; and • clarify that election of exemption from applying the equity method per IAS 28 Investments in Associates and Joint Ventures shall be made separately for each associate or joint venture at initial recognition of the associate or joint venture..

Standards and interpretations not yet endorsed by the EU as at 31 December 2017:

Standards and Interpretations awaiting to be adopted by EU	Nature of impending change in accounting policy
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	The amendments clarify share-based payment accounting on the following areas: • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; • share-based payment transactions with a net settlement feature for withholding tax obligations; and • a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.
Amendments to IFRS 9: Financial Instruments	These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. The amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The Amendments clarifies that companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 Financial Instruments.
Amendments to IAS 19: Employee Benefits	The Amendments require that the Entity uses current and updated assumptions when a change to a plan, and amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan
Annual Improvements to IFRS 2015-2017 Cycle	The Improvements to IFRSs (2015-2017) contains four amendments to standards. The main changes were to: • clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations; • clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements; • clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and • clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete as borrowings made specifically for the purpose of obtaining a qualifying asset should not apply to a borrowing originally made specifically to obtain a qualifying asset if that asset is ready for its intended use or sale.

35. Impact of new standards on the financial statements

IFRS 9 *Financial instruments*

IFRS 9 *Financial instruments* is effective for all financial statements for periods beginning on or after 1 January 2018.

In accordance with IFRS 9, financial assets as of initial recognition are classified to the following categories:

1. Financial assets measured at amortised cost,
2. Financial assets measured at fair value through other comprehensive income,
3. Financial assets measured at fair value through profit or loss.

Classification is made upon initial recognition and dependent on model of management of financial assets adopted by the company, as well as on characteristics on cash flows from these instruments.

The Company values all significant items of financial assets, i.e. investment certificates and investments in subsidiaries and associates, at fair value through profit or loss.

IFRS 9 replaces existing impairment model described in IAS 39 as model of "incurred loss" with new model based on "expected credit loss". Consequence of this change is the requirement to calculate impairment allowances based on expected credit losses concerning forecast and expected macroeconomic conditions while assessing risk.

In accordance with IFRS 9 financial assets are classified into following categories:

- Basket 1 – exposures with no impairment, for which 12-months expected loss is estimated;
- Basket 2 – exposures with significant increase in risk since the moment of initial recognition, but for which no impairment has been identified as of the reporting day. For these exposures expected credit loss is estimated for the lifetime of the exposure;
- Basket 3 – impaired exposures.

In order to monitor and identify significant increase in credit risk, the company is applying following qualitative criteria:

- Delay in repayment over 30 days, unless the Company has rational and possible to proof information that are available with no excess cost or efforts, which indicate that the credit risk did not increase significantly since initial recognition, despite payments are more than 30 days overdue;
- Forbearance, which is extension of the repayment date or dividing payment due into instalments except for cases, where extension of repayment date or dividing payment due into instalments is the tool of managing liquidity and concern transactions with related parties, investment funds managed by MCI Capital TFI S.A. and portfolio companies of these funds, and the Group has full control over it;
- Events associated with increase in risk, so called "soft evidence" of impairment, identified as part of analysis of relationship with contractor.

As part of conducted analysis, following main categories of assets has been identified, for which potential correction resulting from applying expected credit loss model required by IFRS maybe necessary:

- Investment certificates.

The investment certificates of the MCI.CreditVentures 2.0 FIZ, Internet Ventures FIZ and Helix Ventures Partners FIZ funds are an important item in the Company's balance sheet. These certificates are subject to credit risk. Credit risk arises as a result of the inability of the other party to pay, and the maximum exposure to this risk equals the carrying amount of financial assets (Investment certificates). Credit risk, which is burdened with Investment certificates, is associated with the risk of non-solvency of the mentioned investment funds, resulting from investments in limited liquidity portfolio companies. The Company measures investment certificates at fair value through profit or loss. All risk factors are reflected in the fair value of Investment Certificates, therefore the Management Board of the Company waives the estimation of the expected credit loss.

- Trade and other receivables.

The main component of the aforementioned item are receivables from the MCI.CreditVentures 2.0 FIZ fund and the associate of Private Equity Managers SA. As a result of the analysis, the Company did not identify significant components of receivables over 30 days, and there were no repayment facilities to extend the repayment period or spread the amount due in instalments. The company did not record a risk increase based on subjective analyses of "soft indications" of impairment that could affect the contractors' ability to meet their financial obligations in the future.

According to estimates of the Management Board, correction due to expected credit loss will not be significant.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 *Revenue from contracts with customers* is effective for all financial statements for periods beginning on or after 1 January 2018.

Changes implemented by IFRS 15 concern all agreements that lead to recognize revenue. Fundamental principle of new standard is recognizing all revenues in the moment of transfer of control over goods or services for the client, in the amount of transaction price. All goods or services sold in packages, which may be extracted from the package, should be recognized separately, moreover all discounts concerning the transaction price should have been allocated to particular components of the package. In case, when the amount of revenue is variable, according to new standard, variable amounts are classified to revenue, if there is high probability that in the future there will be no reverse of recognized revenue as a result of revaluation.

Depending on meeting particular criteria, revenues connected with separated provisions are:

- Settled over time in the manner described in the agreement, or

- Recognized as single shot in the moment when control over goods or services is transferred for the client.

Moreover, in according with IFRS 15, costs incurred in order to acquire and secure contract with customer, should have been activated and settled over time of consuming benefits from this contract.

The main source of revenues generated in the Company is the revaluation of investment certificates as well as subsidiaries and affiliates, as well as the result on the sale of investment certificates. In addition, in 2017, the Company generated financial revenues that were directly related to the granting of a guarantee for the issue of bonds issued by the subsidiary on the Czech market.

Therefore, as part of the analysis, no significant revenue items were identified which should be recognized in accordance with IFRS 15 and therefore, in the opinion of the Management Board of the Company, implemented as at 1 January 2018. IFRS 15 will not have a material impact on the recognition of revenue Company.

36. Financial risk management

Risks to which the Company is exposed:
- market risk
- investment risk,
- credit risk.

Below the most significant risks to which the Company is exposed are presented.

MARKET RISK

The Company is exposed to market risk, including the risk of changes in interest rates. The Company's exposure to market risk resulting from changes in interest rates relates primarily to bank deposits, loans borrowed and bills and bonds issued.

The Company does not hedge its investment portfolio with derivative financial instruments. For the measurement of interest rate risk, the Company uses sensitivity analysis.

The risk of changes in measurement of financial assets

The risk associated with a decrease in the value of financial instruments - shares. Subsidiaries are measured to the fair value of assets held at least once a quarter. Hence changes in the fair value are reflected in the financial statements on the ongoing basis. The measurement methods are described in **Note 9, *"Investments in subsidiaries"***.

Interest rate risk

The Company's exposure to market risk resulting from changes in interest rates relates primarily to bank deposits, loans borrowed and own securities issued (bill of exchange and bonds).

The Company does not hedge the interest rate risk with derivative financial instruments. For the measurement of interest rate risk, the Company uses sensitivity analysis.

Interest rate risk management is focused on minimizing fluctuations in interest cash flows on financial assets and liabilities which bear interest at variable interest rates.

Liquidity risk

The nature of transactions and financial assets means that financial liquidity risk is low. The Company manages liquidity risk by monitoring payment dates and demand for cash required for payments (current transactions monitored on a weekly basis) and the demand for cash. The demand for cash is compared with the available sources of funding (including in particular by assessing the ability to obtain financing in the form of loans, borrowings and bonds) and is compared to investments with available funds.

The Company manages the risk by monitoring the liquidity ratios based on balance sheet items, analysis of the level of liquid assets in relation to cash flows and maintaining access to various sources of financing (including the reserve credit facilities).

The liquidity management process is optimised by way of centralised management of funds within the MCI Group, where liquid surplus of cash generated by individual companies which are part of the Group is invested in loans and other instruments issued by entities which belong to the group (lower credit risk). Company's cash surplus is invested in short-term liquid financial instruments, such as bank deposits.

One of the methods of liquidity risk management is maintaining open and unused credit lines. They create a liquidity reserve.

FX risk

In the period from 1 January to 31 December 2015 the Company did not conclude transactions that would expose it to currency risk. In addition, the Funds make investments in currencies other than the zloty. In view of the above, fluctuations in exchange rates will have an effect on the reported value of the investment, which will go down in the case of appreciation of the zloty against the currencies in which individual investments in the investment period are carried out. Fluctuations in investment rates, by means of decline in measurement or value of revenues earned from the sale of the investment, may affect the drop in value of the fund's assets, and consequently, the drop in the value of investment certificates held by MCI. Whenever possible, the management company enforces the policy of hedging the foreign exchange risk by matching foreign currency funding in relation to the original investment currency.

INVESTMENT RISK

The essence of venture capital investments is the ability to achieve higher returns by investing in projects with higher levels of risk. Before making venture capital investments, the investment teams conduct an in-depth analysis of the business plan, which does not ensure that the development project will be consistent with the assumptions. In particular, this is true for the technological innovations which have no application on the market yet, and thus are difficult to assess. If the business model of a company does not succeed, this may adversely affect the value of their investment and result in losses. As a result, this may translate into negative financial results of the Company by a decline in the value of investment certificates.

The risk related to the measurement of managed companies which affects the value of assets being managed

Once a quarter, MCI measures the fair value of assets held in funds, and the measurement value translates to the value of assets being managed and the level of remuneration received. Funds the certificates of which are held by MCI and subsidiaries of MCI invest capital for a period from 5 to 10 years. Usually, entities the securities of which are not listed on the stock exchange are subsidized. Thus, liquidity of such investments is limited, and the profit is earned by selling - usually to industry or financial investors - of shares of the company. There is no assurance that in future the funds will find potential buyers for their investment and will be able to exit the investments with assumed rates of return. The risk of economic and stock market downturn may also hinder the possibility of the exit or significantly limit the realizable rate of return. This may adversely affect the financial results of MCI.

Competition risk associated with acquisition of new investment projects

Development of MCI is closely related to the potential to make new investments in promising and technologically advanced economic projects. The market has seen an increase in competition from other funds (venture capital, private equity) and business angels also interested in investing in companies dealing with modern technologies. The Management Board of MCI addresses this risk by geographical expansion to new, promising markets, where competition is smaller. A major competitive leverage of MCI Capital S.A. is its recognizability in Poland and abroad, which allows the Company to win new projects.

The risk associated with the structure of the investment portfolio of funds

In the creation of the portfolio, the appropriate diversification of the portfolio is crucial, as it aims to reduce investment risk. Funds the certificates of which MCI holds try to reduce the risk by limiting capital exposure in a single project.

At the same time, funds are consistently pursuing geographic and sectoral diversification policies. Funds acquire shares in companies operating in Poland, but also in Central and Eastern Europe (CEE), German-speaking countries (DACH), former USSR (CIS), Turkey, and Israel. Geographic diversification allows for spreading the investment risk of funds (the decrease in profitability through the deterioration of the economic situation in one market may be minimized due to the good situation on another market) and to benefit from the increase in value of investments in emerging markets. In addition, funds diversify their investments by segments of the companies, in which shares the funds invested. Funds invest in early stage companies (*start-up/seed* businesses) through growth and large buyout/expansion companies.

CREDIT RISK

Credit risk arises from default of the other party to make payment and the maximum exposure to this risk is equal to the carrying amount of financial assets which the credit risk of the Company is related to. These include: trade receivables and due bills, loans, cash, derivatives and investments in shares and investment certificates. A significant part of the Company's financial assets are receivables and investments in affiliates. Through loans, receivables from bills of exchange and trade receivables from related parties, the Company optimizes liquidity management. The Company regularly monitors receivables. Credit risk associated with investments in subsidiaries and associates, investment certificates and derivatives is based on the results of companies and funds, and is reflected in the measurement of these investments to their fair value. With respect to cash, in order to improve the current liquidity, the Company enters into agreements of bank deposits with entities of high creditworthiness, and invests funds for short periods. There are no major concentrations of credit risk in the Company.